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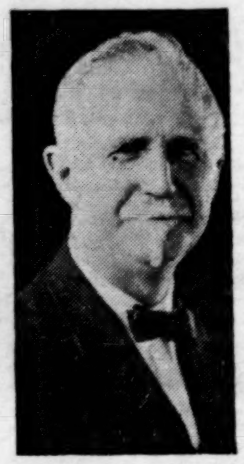
Diversify Your Investments

Roger W. Babson Suggests Ten Groups

BABSON PARK, MASS.—This week let me talk on the necessity of dividing up your investments in order to get safety. In other words, don't put too many eggs in any one basket. If you have $10,000 invested or to invest, divide it among ten groups of securities. The following groups and ideas are not the only ones to consider, but they serve as illustrations:



Roger W. Babson

Manufacturing: Select some company like a paper, textile or oil company which is in a "repeat" business rather than a company dealing in equipment which lasts a lifetime. Thus, beware of many shipbuilding, aviation or machine tools [illegible]

Public Utilities: Select the stock of some good company which is being eliminated by the Securities & Exchange Commission and which should liquidate for considerably more than the present market price. Stocks which fulfill such requirements

(Continued on page 949)

Index of Regular Features on page 960.

Future of Small Business Taxation

By RANDOLPH E. PAUL*

Former General Counsel, U. S. Treasury

Asserting That Small Business Is the Backbone of the Nation, Mr. Paul Calls Attention to the Conflicting Reports Issued Respectively by the Senate Small Business Committee and the Research Division of the Federal Reserve Board Regarding War's Effects on Small Business Concerns. Hold Proposals to Mitigate the Plight of Small Business Are Not Specific and That All Are Easier Said Than Done. Advocates Revision of Excess Profits Tax "Carry-Back" Provisions to Assist Small Businesses in Post-War Reconversion, and the Granting of More Liberal Loss Provisions in Computing Taxes. Says Small Business Man Must Shift His Sights to the Whole Tax System and Seek a Tax System That Can Create a Prosperous Post-War Economy.

We hear a great deal these days about the difficulties of the little man in the big world. He is beset with problems and he is constantly wrestling with taxes. I am going to talk to you tonight about the little man and the future of small business taxation.

Randolph E. Paul

It is becoming a good old American custom to pay lip service to small business and to promise it the moon. I am afraid it is becoming an equally good old American custom to do very little to help small business. Back in 1755 Dr. Samuel Johnson wrote in his preface to the dictionary: "Words are the daughters of earth and things are the sons of heaven."

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*An address by Mr. Paul at a dinner meeting of the Employing Printers Association, Hotel Commodore, New York City, Feb. 26, 1945. Mr. Paul is now a member of the law firm of Lord, Day & Lord, New York City.

(Continued on page 946)

History and Forecast of Rail Credit

By PATRICK B. McGINNIS*

Contending That Knowledge of Railroad Credit in the Past Looked to Only Maturities and Yields, Mr. McGinnis Points Out That the Market Collapse in Railroad Bonds Due to Defaults Indicated a Mechanical Situation in the Relationships of Buyers and Sellers, Rather Than Their Intrinsic Value. Wall Street, He Says, Was Not Geared to Sell Defaulted Bonds to the Public, With the Result That Prices of These Issues Fell to Very Low Levels. Points to Reduced Charges of Reorganized Railroads and the Fact That Refunding Bonds Are Approaching Call Prices as a Basis for Belief in Future of Railroad Credit. Sees Further Rise in Defaulted Issues as Reorganizations Are Effected, and Does Not Fear Competition Against Railroads.

Railroad securities, bonds and stocks, are the oldest form of corporate security we have, and still represent the major amount of such securities, particularly so far as bonds are concerned. We have had railroad bonds with us for almost a hundred years, in some cases, and railroad stocks likewise.

Patrick B. McGinnis

Most of the railroad bonds are listed on the New York Stock Exchange; as are most of the utility bonds. As of the first of this year, the

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*An address by Mr. McGinnis at a meeting of the Bond Club of Detroit, Hotel Statler, Detroit, Michigan, Feb. 21, 1945. Mr. McGinnis is a partner in the firm of Pflugfelder, Bampton & Rust, Members of the New York Stock Exchange.

(Continued on page 940)

Tax Speculation and Stop Progress

By A. M. SAKOLSKI

Economist Points Out the False Assumptions of the Proposal of Chairman Eccles of the Federal Reserve Board to Tax Speculative Transactions As a Check Against Inflation. Holds That Speculation Is a Result and Not a Cause of Inflation and That a Special Tax on Speculation Will Not Eliminate Inflation, but Would Discourage Business Enterprise and Risk Capital. Says Tax Would Be Extremely Impractical to Administer Because of Inability to Distinguish Between Investment and Speculation Transactions.

A. M. Sakolski

Of the many schemes and proposals put forth in the last two years to prevent or diminish inflation and its dangers, none, perhaps, is more fantastic, erroneous and impractical than the project (if it can be called such) of Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, to impose a special tax "on gains from speculation in stocks and real estate." This proposal was made at a hearing before the Senate Banking Committee on the bill to reduce the reserve requirements of the Federal Reserve Banks in order to permit a larger currency circulation and a further expansion of bank credit—both inflationary incentives.

Conceding the danger of currency inflation arising out of a post-war boom due to an excessive money supply and easy credit

(Continued on page 942)

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Guide Posts for Judging Stock Market Ahead

By DR. WILLIAM F. EDWARDS*

Partner, Naess & Cummings, New York

Contending That Forecasting Is No More Difficult Than in the Past, Dr. Edwards Asserts We Should Look Ahead With the Courage of Those That Succeeded Before. Says Civilian Regimentation Has Produced Static Thinking Toward the Stock Market, but Points Out That First the Fear of the War, and Then the Fear of the Peace Has Given Way to Reserved Confidence. Holds Present Stock Prices Supported by Earnings and Dividends, and That It Is Thoroughly Tested, Though Downward Influence May Temporarily Dominate. Predicts a Reasonable Up-Side Level of the Dow-Jones Average of 170. Hits Morgenthau's "New Era" Credit Policy as a Modern Tower of Babel, and Urges Brokers to Keep Market in Bounds Rather Than Have It Done by Government Order.

Our prospective and mutual understanding will be aided, I believe, if at the outset we eliminate two erroneous thoughts that have been too prevalent.

Dr. Wm. Edwards

Judging the Opportunity Ahead

Many of us see the uncertainties on every hand and tend to postpone decisions and temper judgment, expecting that in time the outlook will become more apparent. But this will become true only as the opportunity becomes less. We shouldn't alibi, believing that our problem of looking ahead and planning is more difficult than it was in the past. If we put on the glasses of yesterday so that we see it as it was then seen, and as we now see our tomorrow, we find on the threshhold of periods of unusual opportunity turmoil and confusion that frequently bewildered our predecessors in the financial district.

In retrospect, could there be a cleaner period than when our economic society was cultivating the soil and planting the seeds that subsequently produced such profitable crops. We remember the development of the steam engine, the steamship and the locomotive;

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*An address made by Dr. Edwards before the Association of Customers' Brokers in the Governors' Room of the New York Stock Exchange Feb. 27, 1945.

(Continued on page 952)

John F. Donnellan Joins E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—John F. Donnellan has become associated with E. F. Hutton & Co., 160 Montgomery St. He was previously with Sutro & Co. and prior thereto for many years was an officer of Donnellan & Co.

Harry F. Stemper Is With Fairman & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL. — Harry F. Stemper has become associated with Fairman & Co., 650 South Spring St., members of the Los Angeles Stock Exchange. Mr. Stemper was in the past an officer of Franklin Wulff & Co., and Ehni & Wood, Inc.

Economic Adjustments From War To Peace

By AMOS E. TAYLOR*

Director, U. S. Bureau of Foreign and Domestic Commerce

Commerce Department Official Distinguishes Two Post-War Periods, viz.: (1) the Immediate or Reconversion Period, and (2) the Longer-Run Period. Holds in First Period the Deferred Demands of Wartime Are Not in Themselves Sufficient to Offset Shrinkage in Government Expenditures but, Because of Large Savings and Cash Assets Held by Public and Business, an Inflationary Tendency Can Develop Unless Post-War Spending Is Synchronized With Rate of Reconversion. Says Foreign Trade Expansion Must Be Inter-Related With Domestic Activity and Urges Foreign Investment for Sound Industrialization of Undeveloped Areas as a Safeguard Against Forces Leading to War.

Amos E. Taylor

In dealing with post-war adjustments it is well that we first take note of the fact that in time of war the Government is an insatiable customer that at present is demanding more than 40% of our total output. This figure suggests the size and scope of the problem which will confront us when we seek a balance in our post-war economy which will assure us of maximum output and the means of distributing and consuming such output. At the same time we shall have to achieve this result in a world which is becoming increasingly interdependent and which cannot maintain prosperity unless the flow of goods can be kept on a high level.

We shall have to deal with these problems of adjustment at a time when the world atmosphere is surcharged with highly emotional tensions and when conflicts of opinion both at home and abroad are sharply drawn. Our ability to overcome the immediate difficulties will in large part depend upon the degree of objectivity with which we can appraise a condition of disequilibrium with calm deliberation and coordinated effort. With the general nature of the problem we are of course familiar. We know that when the

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* An address by Mr. Taylor before the Executives' Club of Chicago, Chicago, Ill., Feb. 16, 1945.

(Continued on page 956)

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Holds Initial Phase of "Bull Market" Nears End

Edson Gould of Research Department of Smith, Barney & Co. Sees Top in Stock Prices and States Important Decline Is Likely to Occur Before Resumption of a Major Advance. Says American Economy at Present, so Far as Manufacturing Is Concerned, Is not in Balance.

Edson Gould

Edson Gould of the Research Department of Smith, Barney & Co., and formerly Editor of Moody's Stock and Bond Surveys, has issued a memorandum dated Feb. 23 on significant conditions affecting the stock market.

"It looks as though the initial phase of the big bull market of the 1940s is coming to an end,'' Mr. Gould states.

"Stocks are not high priced on the basis of current earnings and dividends and are low priced in relation to probable post-war earnings, but it becomes increasingly probable that a sizable portion of the present structure of earnings on which a large section of the market rests may soon be swept away.

"The significance for stock investors is that for the first time since the major rise started in April, 1942, the market carries risks of a sizable reaction represented by 25 points or more in the Dow-Jones Industrial Average. This suggests, where intermediate term operations govern policy, defensive operations on the part of stock investors, the taking of profits, the shifting from speculative to higher grade issues to reduce risks of reaction and the accumulation of cash resources to

(Continued on page 944)

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Bretton Woods Proposals Will Help Exports: Morgenthau

Treasury Secretary States That if Adopted the Automobile Industry Can Look Forward to a Steady Export Market of a Million Cars a Year. Holds International Fund Will Eliminate "Blocked" Payments and Bilateral Trade Will Prevent Losses From Exchange Fluctuations. Says Critics' Arguments Boil Down to: "It Will Not Work."

Sec. Morgenthau

Secretary of Treasury, Henry Morgenthau, Jr., in an address before the Economic Club of Detroit, on Feb. 26, which was broadcast over the Blue Network, upheld the Bretton Woods Proposals mainly on the ground that it would increase our exports and restore the sales of automobiles abroad to the figures of 1929. He predicted that if Congress passes the Bretton Woods legislation that we can look forward to a steady export of at least 1,000,000 cars a year, and he condemned the criticism of an "interested" minority that the plan "might not work." The complete text of his address follows:

The world's money market has a language of its own that can be made to sound as incomprehensible as a tobacco auctioneer and as remote as Mars. But its results in every business are as plain as red ink in the ledger and as close as next week's payroll. One reason is that international monetary stabilization has a good deal to do with the color of the ink, and with the payroll, too.

One man out of seven in the automobile industry, for instance, used to depend for his job on foreign trade. Fourteen per cent of the industry's sales were made

(Continued on page 951)

Objections to Bretton Woods Pacts

By HON. JESSE P. WOLCOTT*
Representative in Congress From Michigan

Member of the House Banking Committee and Delegate to the Bretton Woods Conference Outlines the Objectives of the Proposals and Notes the Skepticism Regarding Their Accomplishment. Lists 14 Alleged Deficiencies Relating to the Proposed International Bank and 54 Relating to the International Monetary Fund. Sees "Much Study" Ahead by Both the People and the Congress of the Proposals, and States That "the Economic, Social and Political Future of America Was at Stake at Bretton Woods" and That "the Final Decision Will Be Dictated by the People."

I consider it a distinct honor to share this discussion of post-war international exchange stabilization and reconstruction and development with our distinguished guest, the Secretary of the Treasury, Hon. Henry Morgenthau, Jr.

Secretary Morgenthau represents an Administration with which many of us have frequently disagreed; however, the Treasury Department is outstanding in the manner in which it has functioned under his very able management. No finer tribute has ever been paid to a man than that expressed by Hon. Frank Keefe, an ardent

(Continued on page 958)

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*Remarks by Congressman Wolcott before the Economic Club of Detroit, Detroit, Mich., February 26, 1945.

Economic Disarmament

By JOHN THOM HOLDSWORTH
Professor of Economics, University of Miami

Economist Reviews the Domestic and Foreign Problems Which Must Be Solved in Accomplishing a Satisfactory Peace, and Points Out the Antagonism of American and Other Nation's Policies Regarding Cartels. Contends That Although the International Conferences Have Contributed Toward Creating Something Like Political Harmony and Have Set Up Concrete Plans, There Is Too Much Optimism in Hoping for Full Economic Accord and Cooperation Among All Nations of the World.

John T. Holdsworth

Though much fighting and dying must still be expected with the slowing down of the "March to Berlin," final victory over the Nazis is assured. Then will come the complex and difficult peace arrangements. What kind of a peace? The war-weary world prays for, expects, a permanent peace the terms of which will insure against another global war. What terms? Unconditional surrender followed by complete military disarmament of the warmakers? Positively, yes. Economic emasculation of Germany? No. To reduce highly industrialized countries like Germany and Japan to economic impotence and hopelessness would only provoke another war, which with such hellish weapons of destruction as the V-2 (or V-10 ?) and others still more deadly would annihilate modern civilization. The natural resources, the industrial aptitudes and activities of these countries can be, must be, directed again to the ways of peace, expansion of production and world trade, and higher levels of living everywhere. We would weaken, not strengthen, international economic vitality by reducing Germany and

(Continued on page 948)

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Some Elements of Post-War American Life

By J. REUBEN CLARK, JR.*

Former Under-Secretary of State

Prominent Attorney and Diplomat Warns Against a Post-War Dole Complex, an Intense Hostility Between Labor and Capital and Alien Revolutionary Leaders. Sees Lack of Manpower for Full National Economic Operation and Contends That Revolutionary Manpower, Not Reduced by Casualties, May Become Controlling Element. Advocates Reduction of Government Employees and Return of Women to Maintenance of the Home. Sees Dangers to Free Enterprise in Trends Toward Communism, Regimentation and Wider Social Security, and Holds That Big Post-War Problem Will Be Rebuilding Returning Youths for Civil Duties.

I have an unusual sense of high compliment over this invitation to speak to you, for I am a cattleman, albeit a very, very small one. I am uncertain whether by asking so trifling a cattleman as I am to speak to you modern shepherd Abrahams, you meant to indicate that a little cattleman was as good as an Abraham, or whether you meant to show how little you thought of the class cattlemen, by choosing one of their very least to talk to you. I may say to begin with that all of my sheep raising experience has consisted in herding a bunch of bucks my father took for summering; and all I really know about sheep is that there is no other mutton in the world like sheep-camp mutton.

J. Reuben Clark, Jr.

However, here I am, and I am honored to be with you.

What I propose to say today may not be popular with everybody. Furthermore, I am not aiming to recite a comedy; these are not comedy days. I shall say nothing new; it has all been in the press. On some other occasions I have discussed several of the matters that I shall touch upon today. But it seems well to repeat. For there always comes a time when unpleasant truths must be retold, even though the retelling disturbs the ease and quiet of a luxurious error. Today seems to be such a time. On such occasions the criticism, slander, misrepresentation that one gets are of no consequence.

If I remember rightly, when Mr. Hoover asked me to speak to you he suggested you would like me to tell you what post-war United States would be like, and how to meet its problems. Well, if I knew, I would tell you. But I do not know, and I do not *know* anyone, and I do not know of anyone who does know. Yet I do know that the communists and their co-conspirators, our American revolutionists, have planned out what post-war America is to be, and I also know that unless the rest of us are awake they will have their way. For, as their sort have worked in other countries, they stop at nothing—intimidation, lawlessness, plunder, arson and murder, which they have rechristened with the sweeter name, "liquidation." In other countries they have used all of these things wholesale wherever they have operated. They will do the same here if their opportunity shall come.

But I believe I do know some

(Continued on page 954)

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*An address by President Clark before the Utah Woolgrowers Association in Salt Lake City, Jan. 24, 1945. Mr. Clark is a recognized authority on international law; was Chairman of the American Preparatory Committee to represent the United States at the Third Hague Conference; General Counsel for United States before the American British Claims Commission; former Solicitor of the State Department, and former Under-Secretary of State. He is President of the Church of Jesus Christ of Latter-Day Saints and Chairman of the Executive Committee of Foreign Bondholders Protective Council, Inc. He is also a director of the Equitable Life Insurance Society.

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Van Alstyne, Noel & Co., 52 Wall St., New York City, members of New York Stock Exchange, announce that John E. Kassebaum and Arthur B. Retallick are now associated with them in charge of their trading department.

John E. Kassebaum Arthur B. Retallick

Mr. Kassebaum was formerly manager of the investment bond department of Ingalls & Snyder. Mr. Retallick was manager of the corporation bond department of Coffin & Burr, Inc., in New York City.

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SEATTLE, WASH.—The formation of Pacific Northwest Company as a merger of the investment business and personnel of Ferris & Hardgrove and Drumheller, Ehrlichman Company, is announced effective today. Offices of the company will be located, in addition to its office in the Exchange Building, in Seattle, Spokane, Portland, Tacoma, Aberdeen, Yakima, and Eugene.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes: George Linne retired from Bonner & Gregory, New York City, as of February 28th. Russell S. Cooney, partner in Hoppin Brothers, New York City, died on February 17th.

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Aspects of Tax Exemption of Municipals

By HENRY EPSTEIN*

Formerly Solicitor-General of New York State

Aside from Constitutional and Political Grounds, Mr. Epstein Supports His Contention That State and Municipal Bonds Should Continue to Be Exempted from Federal Taxation Because (1) the Investor Pays for the Exemption, and (2) the Resulting Increased Interest Cost to Local Governments Offsets the Additional Federal Revenue. Points Out That Municipalities, If Their Debt Charges Were Increased, Would in Many Cases Face Insolvency Because of Inability to Obtain Added Revenues, Since They Are Limited to Real Estate Taxes, All Other Sources Having Been Preempted by Federal and State Governments, and He Holds Loss of Tax Exemption Would Be a Disruption of the Balance of Federal Power and Local Self-Government.

Henry Epstein

In discussing the immunity of State and municipal financing from Federal taxation we are dealing with a many-faceted question of public and private finance, economics, law, politics and, above all, philosophy of government.

The legal aspect is the simplest. The Supreme Court has always held that the Federal Government has no constitutional power to levy such a tax and that the Sixteenth Amendment did not confer such a power (**Pollock v. Farmers Loan & Trust Co.**, 157 U. S. 429; **Evans v. Gore**, 253 U. S. 245).

Just this month the Supreme Court refused to review the question in test cases commenced by the Treasury Department in attempting to reverse the 50-year-old doctrine of immunity. In **Commissioner v. Estate of Shamberg**, the lower courts held the bonds of The Port of New York Authority exempt under a statutory exemption of the interest upon "the obligations of a State or political subdivision"; they therefore refused to consider the constitutional point and the Supreme Court, by denying certiorari, has allowed these decisions to remain as the law of the land.

Constitutional Immunity

Let us consider the policy arguments underlying the constitutional immunity and also this statutory exemption which was enacted in the first income tax law in 1913 and which Congress has repeatedly refused to repeal. The purpose of this exemption is to preserve the balance between the States and the Federal Government by protecting our States and cities against invasion by the Central Government of their functions, their independence, their home rule. How, you may ask, is the freedom of local government threatened by a tax of local financing? And is local government worth preserving? I wish to answer both these questions tonight.

Let us begin with Mr. Justice Brandeis, astute observer of economic processes. He said:

> "It is true that the tax-exempt privilege is a feature always reflected in the market price of bonds. The investor pays for it." (**National Life Ins. Co. v. U. S.**, 277 U. S. 508, 528.)

There is no question about that. Investors are paying much higher prices for exempt bonds than for equivalent taxable obligations. That difference is what the investor pays for his exemption; he is not getting something for nothing. Conversely, the public, by receiving higher prices and paying lower interest on exempt obligations, saves a great deal through the exemption.

Indeed, your morning paper will show you just how much the tax would compel the States and their agencies to raise their interest rates in financing public projects. Exempt New York State bonds, due in 1970, sell to yield about 1.25%. But taxable Federal Government bonds of the same maturity yield about 2.50%, twice as much as the State bond yield, with a differential of about 1.25%. To be conservative, we may estimate the average differential at about 1%.

Applying this 1% differential to the outstanding State and local debt of about $20 billion, we find the tax would cost local government about $200 million per year.

In 1937, before the issue had become quite so controversial, L. H. Parker, Chief of Staff of the Joint Committee of Internal Revenue Taxation of Congress, said:

> "It is the opinion of this office that if the income tax were applied in full to all future issues of these bonds, the increased interest cost would nearly offset the additional revenue secured."

That is my opinion today. The revenue loss to the Federal Government closely approximates the $200 million gain to local government. The tax would yield no net fiscal gain to the public as a whole.

But that does not mean that it makes no difference whether the Federal Government may tax local borrowing or not. It makes a tremendous difference in the delicate balance of powers in our Federal system.

Remember that local government is not a single entity like the Federal Government—it is a conglomeration of thousands of units of varying size and prosperity. Many are perennially on the ragged edge of bankruptcy. Many more are driven over the edge by any sharp depression. And still more can remain financially stable in times of stress only by sharp curtailment of essential public services. The picture of unpaid and starving school teachers in Chicago a decade ago is still vivid in our minds. And in 1933 New York City itself barely escaped default and insolvency.

Effect on Municipal Credit

The last depression exploded the myth that municipal credit is indestructible. The fact is that municipal government relies on real estate taxation for about 85% of its revenues. All other sources have largely been preempted by the Federal and State governments. But it is common knowledge that the real estate taxpayer is already overburdened. Raising the tax rate often increases delinquency so that you end up with even less total revenues.

Now consider the impact of a Federal tax which increases the debt service of municipal government. And remember that debt service is frequently 25% or more of the total expenditures. Either the city must curtail its functions and abandon projected capital improvements in the face of the added cost of borrowing, or it must try to raise taxes. If it curtails needed public services or declines to undertake new projects, you create a vacuum of the type which politics abhors. And the Federal Government may well move in to fill that vacuum, ready to spend the very money it has taken from the municipal treasury by taxing the city's bonds. But now the expenditure of the money is not controlled at home by the local citizen. Either it is doled back to the city from Washington, on conditions which sap

(Continued on page 936)

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*An address by Mr. Epstein at the new School for Social Research, New York City, on Jan. 30, 1945.

Home Insurance Premium Income $71,422,544 in 1944

The Home Insurance Co. in its annual report for 1944 shows net premium income of $71,422,544, an all-time high for the company. This compares with $61,567,060 reported in 1943. In 1941, when the company's premium income nearly approached this record, the total included $26,081,500 in automobile business consisting largely of premiums on financed automobiles. In 1944, with this finance business eliminated, automobile premiums amounted to $4,023,360. Ocean marine premiums amounted to $6,106,739, compared with $4,917,889 in 1943.

Total admitted assets at the end of 1944 also hit a new high level amounting to $147,045,440, compared with $132,106,901 as of Dec 31, 1943.

The balance sheet of the company shows cash of $21,220,339; U. S. Government bonds, $34,764,718; all other bonds and stocks, $76,426,405; first mortgage loans $368,006; real estate, $3,772,528; agents' balances, less than 90 days due, $8,637,873; reinsurance recoverable on paid losses, $1,697,961, and other admitted assets $157,610.

Under liabilities of $78,134,958, the reserve for unearned premiums amounted to $56,900,611; reserve for losses, $17,391,935; reserve for taxes, $2,870,000; reserve for miscellaneous accounts, $913,951, and funds held under reinsurance treaties, $58,462, leaving a surplus to policyholders of $68,910,481. It will be noted that cash on hand plus Government bonds, totaling $55,985,057, practically equals the unearned premium reserve of $56,900,611, reflecting the extremely liquid condition of the company.

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Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Bank Stock Evaluator—Comparative analysis of 38 banks—**Butler-Huff & Co. of California**, 210 West Seventh Street, Los Angeles 14, Calif.

Bank Stocks—Memorandum discussing favorable situation for banks created by strength of Government bonds—**Eisele & King, Libaire, Stout & Co.**, 50 Broadway, New York 4, N. Y.

Break Down Government Bond Portfolios—Circular—**Laird, Bissell & Meeds**, 120 Broadway, New York City.

News and Views—Recent developments and comment on insurance stocks and comparative figures on several leading companies **Butler-Huff & Co. of California**, 210 West Seventh Street, Los Angeles 14, Calif.

Portfolio Fund Changes—Portfolio giving effect to changes made Aug. 25, 1944, by Henry A. Trundle of **G. A. Saxton & Co., Inc.**, 70 Pine Street, New York 5, N. Y., in Barron's Contest $100,000 Fund for a Widow.

Possible Excess Profits Tax Liability for 1945—Circular—**Laird, Bissell & Meeds**, 120 Broadway, New York City.

American Bantam Car—Circular on this situation—**Hoit, Rose & Troster**, 74 Trinity Place, New York 6, N. Y.

American Hardware — Special study—**Goodbody & Co.**, 115 Broadway, New York 6, N. Y.

Boston & Maine Income 4½s of 1970—Memorandum on potentialities—**McLaughlin, Baird & Reuss**, 1 Wall Street, New York 5, N. Y.

Boston & Providence Railroad—Descriptive circular — **Adams & Peck**, 63 Wall Street, New York 5, N. Y.

E. G. Brooke Iron—Descriptive circular—**Buckley Brothers**, 1529 Walnut Street, Philadelphia 2, Pa.

Central Iron & Steel—Bulletin on recent developments—**Lerner & Co.**, 10 Post Office Square, Boston 9, Mass.

Central Soya — Discussion of possibilities — **Buckley Brothers**, 1529 Walnut Street, Philadelphia 2, Pa.

Cross Co. Common Stock—Analysis of reasons for considering this an attractive low-priced situation—**F. H. Koller & Co., Inc.**, 111 Broadway, New York 6, N. Y.

Fashion Park, Inc. — Post-war outlook—**Simons, Linburn & Co.**, 25 Broad Street, New York 4, N. Y.

Flour Mills—Descriptive circular—**J. F. Reilly & Co.**, 111 Broadway, New York 6, N. Y.

Foundation Co.—Circular on current situation—**J. F. Reilly & Co.**, 111 Broadway, New York 6, N. Y.

Garrett Corporation—Brochure and statistical information, available to dealers—**Fred W. Fairman & Co.**, 208 South La Salle Street, Chicago 4, Ill.

M. A. Hanna Co.—Engineering field report—**Herzog & Co.**, 170 Broadway, New York 7, N. Y.

Indiana Gas & Chemical—Late memorandum—**First Colony Corporation**, 70 Pine Street, New York 5, N. Y.

Industrial Brownhoist first preferred — Descriptive circular — **Gillis-Russell & Co.**, Union Commerce Building, Cleveland 14, Ohio.

Iowa Southern Utilities Company—Detailed circular—**Rogers & Tracy, Inc.**, 120 South La Salle Street, Chicago 3, Ill.

Interstate Aircraft & Engine Co.—Circular—**Hirsch & Co.**, 25 Broad Street, New York 4, N. Y.

Kentucky & Indiana Terminal Railroad — Details on prospects and yield—**B. W. Pizzini & Co., Incorporated**, 55 Broadway, New York 6, N. Y.

Laclede Christy Clay Products—Memorandum—**Herzog & Co.**, 170 Broadway, New York 7, N. Y.

Lehigh Valley RR.—Circular on the general consol. 4s-4½s-5s, 2003 — **McLaughlin, Baird & Reuss**, One Wall Street, New York 5, N. Y.

Long Bell Lumber Company—Memo discussing enviable postwar outlook and earnings possibilities—**Comstock & Co.**, 231 South La Salle Street, Chicago 4, Ill.

Magnavox Company—Brochure and statistical information, available to dealers—**Fred W. Fairman & Co.**, 208 South La Salle Street, Chicago 4, Ill.

Magnavox Company — Timely statistical report—**Kaiser & Co.**, 25 Broad Street, New York 4, N. Y., and Russ Building, San Francisco 4, Calif.

P. R. Mallory & Co., Inc.—Analytical discussion — **Steiner, Rouse & Co.**, 25 Broad Street, New York 4, N. Y.

Maryland Drydock Company—Analysis—**W. J. Banigan & Co.**, 50 Broadway, New York 4, N. Y.

Merchants Distilling Common—Memorandum—**Buckley Brothers**, 1529 Walnut Street, Philadelphia 2, Pa.

Moxie Co.—Descriptive circular—**J. F. Reilly & Co.**, 111 Broadway, New York 6, N. Y.

National Gas & Electric Corporation—Report on position and outlook for dealers only—**Peter Morgan & Co.**, 31 Nassau Street, New York 5, N. Y.

National Monthly Stock and Bond Quotation Service — Free trial offer being made by **National Quotation Bureau, Inc.**, 46 Front Street, New York 4, N. Y.

National Radiator Co.—Analysis, for dealers only—**C. E. Unterberg & Co.**, 61 Broadway, New York 6, N. Y.

(Continued on page 935)

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ATLANTA BOND CLUB

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At a meeting of the Atlanta Bond Club the following officers were unanimously elected to serve for a period of one year:

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Vice-President—J. F. Settle, J. H. Hilsman & Co., Inc.

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H. B. Kirkbride With Hicks & Price, Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Henry B. Kirkbride has become affiliated with Hicks & Price, members of the New York and Chicago Stock Exchanges. Mr. Kirkbride was previously with H. Hentz & Co., Lamson Bros. & Co., and Harris, Burrows & Hicks.

First Securities Co. Adds Hummel to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — George F. Hummel has become connected with First Securities Co. of Chicago, members of the Chicago Stock Exchange. Mr. Hummel in the past with with Hicks & Price, Lowell Niebuhr & Co., and Rogers & Tracy, Inc.

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John J. O'Brien Co. to Be NYSE Members

John J. O'Brien & Co., 231 South La Salle Street, Chicago, Ill., members of the Chicago Stock Exchange, will acquire membership in the New York Stock Exchange, when Joseph M. Fitzgerald, New York Exchange member, becomes a partner in the firm on March 9th. Albert J. Payne will become a general partner and Julian A. Acosta a limited partner on the same date. Mr. Fitzgerald has been active in New York City as an individual floor broker; Mr. Acosta has been active as an individual dealer and as principal of J. A. Acosta & Co. in New York City. Mr. Payne was with Wayne Hummer & Co. in Chicago. S. E. O'Brien will no longer be a partner.

The firm will have a New York office at 14 Wall Street.

Swan and Thoben Are Hayden, Stone Partners

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announce that Joseph E. Swan and Frederick W. Thoben have become partners in the firm. Mr. Swan has just retired as a partner in E. F. Hutton & Co. and Mr. Thoben is resigning from that organization, where both have been since the dissolution in 1942 of their former firm of J. E. Swan & Co.

Joseph E. Swan

Frederick W. Thoben

The firm of Swan, Culbertson & Fritz, through which J. E. Swan & Co., formerly handled the foreign accounts in which it specialized, will now become a correspondent of Hayden, Stone & Co. Until war broke out Swan, Culbertson & Fritz was the largest banking and brokerage firm in the Far East, with offices in Shanghai, Hong Kong, Manila and Singapore. More recently the firm has established branches in Buenos Aires and Montevideo.

Through its new correspondent Hayden, Stone & Co. will be in a position after the war to make available to its clients a great deal of information regarding investment opportunities in both South America and the Far East.

Admission of Mr. Swan and Mr. Thoben to partnership in Hayden, Stone & Co. was previously reported in the "Financial Chronicle" of February 22nd.

A. D. Mayfield With Hornblower & Weeks

(Special to The Financial Chronicle)

CHICAGO, ILL.—Arthur D. Mayfield has become associated with Hornblower & Weeks, 39 South La Salle Street, members of the principal national exchanges. Mr. Mayfield was formerly with C. W. McNear & Co., was an officer of Providence Securities Corp., and prior thereto was with Otis & Co. and Stifel, Nicolaus & Co.

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Dealer-Broker Investment Recommendations and Literature

(Continued from page 934)

New England Public Service Co.—Report—**Ira Haupt & Co.,** 111 Broadway, New York 6, N. Y.

New York Bank Stocks—Comparative analysis and significant ratios for eighteen stocks in 1944—**Laird, Bissell & Meeds,** 120 Broadway, New York 5, N. Y.

Oxford Paper preferred & common — Analytical study — **Goodbody & Co.,** 115 Broadway, New York 6, N. Y.

Panama Coca-Cola—Discussion of this situation—**Hoit, Rose & Troster,** 74 Trinity Place, New York 6, N. Y.

Peoples-Pittsburgh Trust Company—Analysis—**W. J. Banigan & Co.,** 50 Broadway, New York 4, N. Y.

Pittsburgh Railways — Current study—**First Colony Corporation,** 70 Pine Street, New York 5, N. Y.

Public National Bank & Trust Company—Analysis, for dealers only—**C. E. Unterberg & Co.,** 61 Broadway, New York 6, N. Y.

Rohr Aircraft—Descriptive circular—**J. F. Reilly & Co.,** 111 Broadway, New York 6, N. Y.

St. Louis Bank Stocks Manual, 1945 Edition—Facts and figures on St. Louis bank stocks—**G. H. Walker & Co.,** Broadway and Locust, St. Louis 1, Mo.

St. Paul Arbitrage—Memorandum—**Frederick M. Stern,** 61 Broadway, New York 6, N. Y.

Schenley Distillers Corporation—Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation,** 350 Fifth Avenue, New York 1, N. Y.

Seaboard Railway Company—Complete arbitrage proposition on request—**Sutro Bros. & Co.,** 120 Broadway, New York 5, N. Y.

Southern Railway — Analysis showing how the common stock is acquiring investment characteristics and appears to offer outstanding appreciation potentialities—**H. Hentz & Co.,** Hanover Square, New York 5, N. Y.

United Piece Dye Works—Discussion of long term possibilities for those speculatively inclined—**Ward & Co.,** 120 Broadway, New York 5, N. Y. Also available are late memoranda on:

Du Mont Laboratories "A"; Great American Industries; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Brockway Motors; Scoville Mfg.; Bird & Sons; Riley Stoker; Alabama Mills, Inc.; American Hardware; Douglas Shoe; Hartford-Empire; Maine Central Pfd.; Purolator; Moxie; and P. R. Mallory.

Wellman Engineering—Circular—**J. F. Reilly & Co.,** 111 Broadway, New York 6. N. Y.

Wellman Engineering Company—Prospects discussed — **Wm. J. Mericka & Co., Inc.,** 29 Broadway, New York City.

Yuba Consolidated Gold Fields—Analytical discussion of possibilities for price enhancement—**Cartwright & Parmelee,** 70 Pine Street, New York 5, N. Y.

Wm. G. Hobbs, Jr., is With Barcus, Kindred

CHICAGO, ILL.—William G. Hobbs, Jr., has become associated with Barcus, Kindred & Co., 231 South La Salle Street, as manager of the trading department. Mr. Hobbs was formerly manager of the municipal department of the Chicago office of Boettcher & Company with which he had been associated since 1932.

Municipal News & Notes

The new issue side of the municipal bond market remains relatively quiet, a condition, incidentally, that has prevailed in large measure since the advent of the eminently successful New York City financing operation of $75,000,000 in mid-January. The paucity of new borrowings is the more impressive in view of the exceptionally favorable conditions prevailing in the market for local government obligations.

As a matter of fact, it may be said that at no time in the recent past have conditions been as attractive for the disposal of new issues as now prevail. This is the case with respect to the level of prices and insofar as investment demand for tax-exempts is concerned. However, despite the excellence of these essential market factors, the volume of strictly new financing continues somewhat negligible.

The dearth of new credit operations has, of course, been compensated for to some extent by the recent flow of old bonds that have reentered the market via portfolio liquidations. In this connection mention may be made of the award on Tuesday of $4,018,000 bonds by the State of California Employees Retirement System.

The offering, which embraced various bonds of the City of Los Angeles and its school districts and the Los Angeles Flood Control District, attracted a number of bids. The accepted tender of 142.2631 was made by a group headed by the First National Bank of Chicago, and the unsuccessful offers ranged between prices of 141.983 and 140.651.

Previous recent financing of similar character included sales of $9,805,430 City of New York securities by the State of New York; $2,555,900 New Jersey municipals by the State's Teachers' Pension and Annuity Fund, and $2,087,500 of various State and municipal bonds by the Kansas City Life Insurance Co. The company is scheduled to dispose of another block of $1,255,500 of its municipal portfolio today.

As for new business in sight over the next several weeks, the calendar of pending awards, at this writing, shows only one issue of more than $1,000,000, this being the $2,000,000 State of Mississippi loan for which bids will be considered on March 13. There is good reason to believe, however, that the anticipated $110,000,000 Triborough Bridge Authority, N. Y., refunding operation will be undertaken sometime during the current month. The appropriate legislation has already been approved by Governor Dewey, and the report is that the issue will be underwritten by a group formed by Dillon, Read & Co. Based on market performance of existing obligations of the bridge unit, it is likely that the prospective new issue will attract considerable demand.

Of interest to the municipal field on this side of the border was the public offering yesterday of a new issue of $15,000,000 Province of Quebec 2% debentures, which was cleared through the SEC a day or so earlier. The underwriting group is headed by the First Boston Corp. The bonds, due March 1, 1950, are being offered to investors at a price of par.

We have a continuing interest in the following:

American Barge Lines Co. Common
American Service Co. Common
Anheuser Busch Inc. Capital
Consolidated Gas Utilities Corp. Common
Fulton Iron Works, Common & Pfd.
Mastic-Asphalt Co. Common
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CHICAGO TRACTION SYSTEM

For the past several years we have held the opinion that municipal ownership of the Chicago Traction System could not be accomplished if the interests of Governor Green and Mayor Kelly were in opposition. The Governor and the Mayor now have agreed upon a plan to create a Chicago Transportation District under both State and City authority, and to finance the district by issuing tax-free revenue bonds. The public demand for improved transportation service assures approval at the referendum to be held June 4, 1945. Also, we are informed that at least one large syndicate has been organized to purchase these revenue bonds. Consequently, we believe the purchase of the Chicago Traction properties by a quasi-municipal district now is a matter of time only.

In our opinion, the First Mortgage Bonds of the Chicago Railways Company, Chicago City Railway Company and Calumet & South Chicago Railway Company can be purchased with confidence at this time.

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18-Year-Olds Fight After 26 Weeks

An official of the War Department said on Feb. 26 that under normal circumstances the minimum time between induction and assignment to combat duty is about 26 weeks, including 15 weeks at a replacement training center and that most 18-year-olds are sent overseas for combat duty much less than a year after they are inducted. We quote from an Associated Press dispatch from Washington on Feb. 26, which added:

Senator Robert A. Taft, Republican of Ohio, had announced that he would call on the War Department to explain why 18-year-olds were being sent into combat with relatively brief training.

The War Department official, reporting that not less time than about 26 weeks elapse between induction and combat assignment, said the time is alloted as follows: three weeks' post-induction furlough, one week at the reception center, 15 weeks at a replacement training center, two weeks' furlough, one week in a staging area, two weeks aboard ship and two weeks in a replacement pool at the war zone.

But in actual practice, he said, the average 18-year-old has an extra month or two before being sent into battle. Practically all, however, are sent overseas less than a year from the time they are inducted, and most are filtered into infantry units as replacements for battle casualties.

N. J. O'Hanlon Opens

DENVER, COLO.—Nicholas J. O'Hanlon is engaging in a securities business from offices at 1325 Glenarm Place. Mr. O'Hanlon has recently been serving in the United States Army Air Corps. In the past he was with G. Brashears & Co. in Los Angeles.

Real Estate Securities

That much discussed picture "A Tree Grows in Brooklyn" opens today at the Roxy Theatre in New York and it is expected to attract capacity attendance.

This picture is typical of the type of pictures that are first shown at the Roxy Theatre under a franchise they received from Twentieth Century-Fox Film Corporation, which runs for the entire life of the mortgage on the theatre.

Bonds issued for this first mortgage have an interest rate of 4%, are due Sept. 1, 1957 and offer a yield of approximately 5% to maturity.

The bonds are the obligation of Roxy Theatre, Inc., and are secured by a first mortgage on land owned in fee on West 50th Street, running through to West 51st Street, improved with a theatre of approximately 6,200 seats. The entrance and lobby of the theatre are on the corner of 50th Street and Seventh Avenue in space part of and leased from the Hotel Taft.

As a medium to judge the value of the bonds, it is interesting to note that in reorganization in September, 1937, the Twentieth Century-Fox Film Corporation paid $4,248,208 for this property, represented by $650,000 in cash above the bond issue of $3,595,208 for the preferred and common stocks of the Roxy Theatre Company. This $3,595,208 bond issue has since been reduced by sinking fund operation to $2,899,800. At current market price of the bonds, approximately 88%, a value of $2,551,824 is placed for the mortgage. In 1944 the property was assessed at $3,950,000.

Monthly deposits are required to be made with the trustee equal to 1/12 of accruing taxes, 1/12 of the entrance and lobby rent, 1/12 of the annual interest on the bonds and 1/12 of sinking fund monies.

Until 1947, $65,000 a year or $5,416.67 per month is used for sinking fund and thereafter $70,000 a year or $5,833.34 per month is used for sinking fund. The trustee has been buying bonds for retirement each month and this month purchased bonds at a price of 88¾.

Standard & Poor's give the bonds a "B" Quality rating and a market rating "above average."

We are of the opinion that soundness of bonds of a theatre depends in a large measure on the mass appeal of the pictures released to that theatre. Helpful to this theatre is the franchise from Twentieth Century-Fox Film Corporation for first run selection of motion pictures released by that prominent film producer until 1957, when the bonds mature.

Aspects of Tax Exemption of Municipals

(Continued from page 933)

the vitality and independence of local government, or the Federal Government itself may undertake the abandoned local functions, again upsetting the balance between the local and central governments.

But suppose the city increases its real estate tax rate to meet the added cost of borrowing. In normal times this will succeed in many localities. But then you have increased the most regressive tax in our fiscal system. You have pushed up rents and the cost of owning a home. You have violated the principle of taxation according to ability to pay—and this, in order to attain theoretical perfection in the progressive character of the Federal income tax.

And often the municipality cannot increase its revenues by raising tax rates. Then you are back in the vicious cycle of increased tax levies causing increased delinquency, causing decreased revenues, causing increased tax levies, and so on. And then you have curtailed functions, deferred maintenance, more crowded classrooms, less policing, less sanitation, and again the picture of unpaid school teachers. Or else the Federal Government magnanimously invades the local sphere and takes on the functions which its own taxes have kept the municipality from financing with local credit.

The record in the recent Port Authority bond tax case contains many examples of municipal bond issues which would have been impossible without exemption. Many State and municipal agencies might be willing to promise an added 1% interest to offset the loss of exemption. But they would still find investors unwilling to lend the needed funds. It is one thing to promise to pay more interest and another to be able to pay it. If the investor feels that the increased debt service is beyond the city's ability to pay, the bond issue will find no takers. In other words, the proposed tax can destroy the ability of the States and their agencies to exercise their power to borrow funds.

A strong case can still be made then for the continued validity of John Marshall's simple but cogent statement that the power to tax involves the power to destroy. But however that may be, the power to tax certainly involves the power to control. Suppose the Federal Government had the power to tax all local bonds. Soon some bright young educator would say: "Wouldn't it be a good idea to encourage municipalities to build new school houses. Let's exempt municipal bonds issued for that purpose." Then his friend down the hall would add: "And let's exempt bridge bonds too. But if school bonds are to be exempt it should only be if they don't waste good public money on silly courses. They should get the exemption only if their curriculum is first approved by the Federal Bureau of Education."

"An excellent idea," his friend might rejoin, "and on your bridge bond exemption, shouldn't the location first be approved by the Federal Bureau of Roads?" This hypothetical conversation shows what I mean by the power to control which is inherent in the power to tax. From the power to tax flows the power to classify and to exempt bonds issued for certain purposes favored by the Federal Government. Indeed that is almost happening today. At the same time as the Federal Government is attacking the exemption of State and local bonds generally, it is still fostering the exemption of local housing bonds. In other words, where the purpose appeals to the Federal sense of propriety or prejudice, an exemption will be in order whether or not the local citizens desire to borrow for that purpose.

And then there is the power to attach conditions to the exemption. In the face of such a combination, local initiative would be dead and over-centralization of power in a single omnipotent central state would be upon us.

You will notice that we are already considering the second great question—should the freedom of state and local governments be preserved?

This is no small homogeneous country with unified interests and problems capable of government by a single central authority. We can thank our dual form of government for having kept us from centralized dictatorship on the one hand and from disunion and dissolution on the other.

Political Aspects

It has become quite the fashion in certain circles to sneer at the states and to imply that they have outlived their usefulness and that we should be governed by departments of an omnipotent central government. Yet all political philosophers agree that as you extend the size of a democracy you weaken it and if you attempt to concentrate its power you destroy it. Franklin D. Roosevelt said in 1930:

> "We are safe (from the danger of obligarchy) just so long as home rule in the states is scrupulously preserved and fought for whenever it seems in danger."

And after he became President he said, in 1937:

> " * * * it was clear to the framers of our Constitution that the greatest possible liberty of self-government must be given to each State and that any National Administration attempting to make all laws for the whole nation * * * would inevitably result at some future time in a dissolution of the Union itself."

Woodrow Wilson wrote:

> "It would be fatal to our political vitality really to strip the states of their powers and transfer them to the Federal Government."

And Charles Evans Hughes put it neatly when he said: "An overcentralized government would break down of its own weight. * * * If we did not have states we should speedily have to create them. * * * (New York State Bar Association, Vol. 39, p. 273).

In these desperate times of world travail we have a further reason for strengthening our dual system of government. Federalism is obviously a necessity in the reconstruction of many of the governments in tortured Europe which must control lands with large minorities. The same doctrine of federalism which has preserved this country despite its size and the diversity of its interests may help to bring peace to other nations and thus to the world as a whole. But if we are to make our federal form of government worthy of emulation we must make sure that it works in this country. If we submit our states to continued inroads on their independence by the central government, we cannot expect the federal form of government to be adopted by other countries which need it.

Who Holds Municipals?

With so much at stake in retaining the fiscal independence of state and local government free from taxation by the central government, we may wonder that the attempt to tax state and municipal borrowing has such a tenacious life even after it has been battered down again and again by the Supreme Court and the Congress. I explain this in terms of a great fallacy. Many people believe that exempt municipal bonds are a vehicle of wholesale tax evasion on the part of the wealthy. That simply is not so. Only about one-third of all the state and municipal bonds outstanding are owned by individuals with incomes over $5,000 a year. Much of the balance is owned by sinking funds, pension systems, charitable trusts, and other bodies which pay no taxes at all; and the remainder is owned by banks, insurance companies, and other institutional investors which are not subject to high personal surtaxes and who, therefore, receive no greater advantage than they surrender by accepting a lower yield on municipal bonds.

But even the one-third of the state and local debt in the hands of individuals has not been exploited for large-scale tax evasion. The fact is that millionaires have, on the average, only about 12% of their wealth invested in state and municipal bonds, according to the Treasury's own Estate Tax Return statistics. Great fortunes have never been built by the ownership of public bonds; they have arisen from the control of industry and land, and in order to retain that control, wealthy individuals must keep the bulk of their wealth invested in taxable private securities and real estate.

So we must conclude that the attempt to tax state and municipal financing is an attempt to end only a hypothetical evil and that it would bring down upon us the desperately real danger of disrupting the delicate balance of our federal system and the freedom of local self-government and the democracy which is the essence of self-government.

I conclude with the words of John Fiske:

> "If the day ever arrives (which God forbid) that the people of the different parts of our country shall allow their local affairs to be administered from Washington—on that day the progressive political character of the American people will have come to an end and the hopes that have been built upon it for the future happiness and prosperity of mankind will be wrecked forever."

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Public Utility Securities

Portland Electric Power

Portland Electric Power Company is a holding company formed in 1906 to acquire various utilities in the State of Oregon. In 1930 Portland General Electric Company was formed to take over all its electric subsidiaries, and Portland Traction Company to take over the street railway and bus operations in the City of Portland. The holding company ("Pepco") in 1934 issued $16,157,600 Collateral Trust Income 6s due 1950, secured by practically the entire stock of PGE and Portland Traction. However, no interest was paid on these bonds and after 30% arrears had accrued, a default was declared and the securities were transferred to the trustee, the Guaranty Trust Company, in March, 1939. Shortly thereafter, the company filed a petition for reorganization in the U. S. District Court at Portland, and it was subsequently announced that the SEC had become a party to the proceedings.

Reorganization negotiations have been pending for several years, with four principal interests—the independent trusteees, the Guaranty Trust Company as trustee for the bondholders, the bondholders committee headed by Dr. Thatcher C. Jones of New York University, and Lehman Bros., and the Prior Preference stockholders committee representing local Portland interests. Proceedings were first held before the SEC. The Commission scrapped several proposed plans and formulated its own along the usual lines, giving bondholders approximately 95% of assets and Prior Preference stockholders about 5% (the four other classes of preferred stocks and the common receiving no consideration). The proceedings then moved to Portland where Special Master Snedecor, appointed by Federal Judge Fee, has been holding hearings on the SEC plan.

In these proceedings, it appears that the various parties at interest have divided along sectional lines. The independent trustees and the Prior Preferencce stockholders committee appear to favor a higher valuation for PEPCO's assets than was fixed by the SEC, while Dr. Jones of the bondholders committee and the Guaranty Trust representatives favor a valuation closer to the SEC level. Naturally, the bondholders are interested in a conservative valuation in order to support a relatively high participation in assets for the bondholders. The stockholders and their local friends, on the other hand, seem interested in obtaining a higher valuation so that they can claim a more substantial proportion of assets for the senior stock, in the distribution of assets.

It is impossible to go into the detailed figures in this brief analysis, but the situation may be summarized approximately as follows: The bonds have a total claim for principal and accrued interest as of Dec. 31, 1944 of about $26,600,000. The Prior Preference stockholders, with 56,824 shares outstanding, have a total claim for par value and accrued dividends of about $10,456,000, making total claims slightly in excess of $37,000,000. The SEC decision of Dec. 8, 1944, found a valuation of assets approximately the same as the Guaranty Trust's, as follows:

Stock of PGE	$21,175,000
Stock of Traction	4,200,000
Consolidated Elec. & Gas secs.	835,000
Interurban street railway	800,000
Miscellaneous assets	465,000
	$27,475,000

In the court proceedings, consideration has been given to a factor in the valuation, not included in the SEC calculations—a favorable offer from the Chase Bank for settlement of some long-standing litigation over a bank loan to Portland General Electric, which the company has claimed was made adversely to its interests. The Chase has offered to write down its claim for principal and interest totaling almost $6,000,000 (less any counter claims) to around $2,500,000 (taking about $1,840,000 cash and some 53,500 shares of preferred stock of Consolidated Electric & Gas currently quoted about 48), and to advance the company a new $5,500,000 serial 2% loan. The net proceeds of the deal would be applied to retirement of the PGE 1st 5s due 1950, which would pave the way for a refunding of the $39,565,000 1st & Refunding 4½s of 1960, possibly with new 3¼s. The value to PEPCO of the proposed PGE-Chase deal is estimated by the independent trustees at roughly $5,000,000 and by Dr. Jones at about $2,500,000. Hearings on this proposal are being held currently.

There has been some controversy in the court hearings regarding the proper valuation to be placed on the stock of PGE, based on that company's earnings record, capitalization, etc. The independent trustees arrive at a figure of about $29,000,000, including $1,000,000 for "excess working capital"—to which they add about $8,000,000 for the traction company and miscellaneous assets (the SEC allowed about $6,000,000). Their estimate would apparently "cover" the total claims of bondholders and Prior Preference stock, giving the bonds a theoretical value of 165 and the preferred stock $185. The bonds are currently quoted at about 130 (having advanced from 15¾ three years ago) and the Prior Preference is around 75 (up from ½ four years ago). Dr. Jones' valuation would work out at about 165 for the bonds and $24.75 for the preferred. His valuation is based on a price earnings ratio for PGE of about 11 (due to the relatively low depreciation allowance, the high debt ratio, and the lack of a firm Bonneville contract for power).

Judge Fee's decision may prove at variance with that of the SEC. It seems unlikely that the trustees' maximum valuation, covering the entire claim of the Prior Preference stock, will be allowed—doubtless some compromise will be worked out. This, of course, will result in a new ratio for division of assets, possibly such as 85-15 or 80-20. The case would then doubtless be remanded to the SEC for consideration, and an eventual compromise between the views of commission and court would probably be necessary. It is difficult, therefore, to fix any time schedule for eventual distribution of assets.

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Senate Bill To Up Gold Value To $56 An Ounce; Existing Gold Ratios Would Be Continued

Legislation to increase the price of gold from $35 to $56 an ounce was introduced on Feb. 26, this proposal following that of the Federal Reserve Board to reduce the gold reserve ratio to 25%. The bill in the case of the reduction in the minimum required reserves, introduced on Feb. 12 by Senator Wagner, was referred to in our issue of Feb. 22, page 860.

The legislation calling for an increase in the price of gold was sponsored by Senators McFarland, Democrat, of Arizona, and Scrugham, Democrat, of Nevada, it was indicated in Associated Press advices from Washington on Feb. 26, which further reported:

This is the answer to the attempt on the part of the Federal Reserve Board to reduce the gold reserve ratio to 25%, Senator Scrugham said.

If the price of gold is advanced to $56 per ounce it will permit the same expansion of Federal Reserve notes as decreasing the reserve ratio to 25% and, to my mind, in a much more healthy fashion.

The bill would continue existing gold ratios required to be maintained against Federal Reserve notes in actual circulation and Federal Reserve Bank deposits by increasing the monetary value of gold already held by the Treasury or to be bought or sold by it.

It would require an adjustment of the gold content of the United States dollar to correspond with a gold value of $56 an ounce.

Senator Scrugham said the Reserve Board's move "looks to me like a deliberate attempt to start the United States toward an experiment in a 100% managed currency." He added:

"If the metallic backing for money is to be altered at all it should be revised upward, rather than downward.

"I believe we have enough gold and silver to support the amount of money required for doing business, but if the Federal Reserve experts think we need more money, let's increase the price of both gold and silver before we think of starting toward the perilous path of reducing our money to mere paper."

W. Randolph Burgess, President of the American Bankers Association, was scheduled to testify on Feb. 28 on a bill to lower gold reserve requirements. It was learned, said the A. P. advices Feb. 27, that Mr. Burgess, who also is Vice-Chairman of the National City Bank of New York, intended to oppose both measures and may ask a uniform ratio of 30% and that the Reserve Bank be required to apply to Congress every two years for authority to continue operations under whatever ratio ultimately is set.

ADVERTISEMENT

NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number seventy-eight of a series.*
SCHENLEY DISTILLERS CORP., NEW YORK

Trends

These days when most of the whiskies available to the American consumer are blends, that is, aged straight whiskies blended with American grain neutral spirits, quite a number of people seem to be confused about "grain neutral spirits" as compared to "whiskey." Let's see if we can't eliminate some of this confusion.

The definition of straight whiskey is, in part, as follows:

> "Straight whiskey is an alcoholic distillate from a fermented mash of grain . . ."

The definition of grain neutral spirits starts out exactly the same as that of straight whiskey:

> "Grain neutral spirits is an alcoholic distillate from a fermented mash of grain . . ."

So far the definitions run parallel. But grain neutral spirits is distilled at a considerably higher proof than "whiskey." It is more highly refined—has become "neutral" in the process of its higher distillation. It has been "stripped" of practically all of the flavor elements natural in whiskey, which is distilled at a lower proof. In other words, grain neutral spirits is "lighter" than whiskey.

"Grain Neutral Spirits" alone, consumed at the same proof as your favorite whiskey, would not be sufficiently flavorful. Neither would coffee, if by some process you would extract its essential oils—its flavor elements. But the expert blender, and he is a *rara avis* indeed, knows how to blend together a number of compatible types of aged, straight whiskies in proper proportion and sequence, together with grain neutral spirits, thereby creating both a light and flavorful blended whiskey.

This company, Schenley, which produces both blended and straight whiskies is, like any other alert business, vitally interested in public preference, and, while it believes that there will always be some demand for straight whiskies, particularly on the part of older consumers, blended whiskies, instead of the heavier types, will become increasingly popular.

And it is interesting to study the trends in recent years in the British Empire. Our British cousins also prefer a "light" whiskey. Scotch, you know—is a blended whiskey.

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Meyer & Oppenheimer With T. J. Feibleman

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA.—Frank Meyer and Melville Oppenheimer have become associated with T. J. Feibleman & Co., Carondelet Building, members of the New Orleans Stock Exchange. Mr. Meyer was formerly with Beer & Co. and Larz E. Jones & Co. Mr. Oppenheimer was with A. L. Sizeler & Co.

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Pennsylvania Brevities

Pittsburgh Railways Special Master's Report

The validity of long-term leases and operating agreements binding the 54 underlying companies of Pittsburgn Railways into an operational units is strongly upheld in the 229-page report submitted by Special Master Watson B. Adair to the U. S. District Court for Western Pennsylvania on Jan. 29.

The report, the compilation of which represents over two and a half year's work, is in answer to the City of Pittsburgh's petition filed Oct. 23, 1942, praying the Court to assume and exercise jurisdiction over the property of the underliers for the purpose of effecting a trustees' plan of reorganization.

As a result of a particularly exhaustive and well documented study, the Special Master concludes that (a) without the filing and approval of petitions by or against the several underliers in the manner and form prescribed by the Act of Congress relating to bankruptcy, the Court does not have jurisdiction to reorganize such underliers, (b) that the leases and agreements under which the properties of the underliers are operated by Pittsburgh Railways do not, as the City claims, represent a conveyance in fee, (c) the facts do not justify disregarding the corporate entities of the underliers and (d) the petition of the City of Pittsburgh should be dismissed.

Since May 11, 1938, when Pittsburgh Railways Co. entered receivership, no rentals have been paid by the parent and, in consequence, the underliers have defaulted on their own outstanding obligations. Cash or equivalent now in the hands of the trustees is reported to be in excess of $17,000,000.

In respect to the possibility of a partial distribution of this cash to the underliers on account of payments overdue, the Special Master quotes a U. S. Supreme Court opinion in the case of Philadelphia Company v. Dipple (1941), 312 U. S. 168, 61 S. Ct. 539, as follows:

"If, in the opinion of the officers of the underlying companies, a reasonable time has expired those companies are not without redress. They may declare a forfeiture of the leases and abrogate the agreements for non-performance on the part of the trustees or, they may apply to the District Court to compel an election by the trustees to affirm or disaffirm. In the meantime, if the situation were such as to permit a proper calculation of the amount due for use and occupation, it would be proper for the Court to order the trustees to pay a reasonable sum to be treated as a payment for use and occupation in the event that the leases and agreements are disaffirmed, or, on account of rent, in the event they are affirmed."

The above specific and authoritative opinions and conclusions of law are gall and wormwood to Pittsburgh City Solicitor Ann Alpern, who is quoted as saying:

"Not until the Pittsburgh Railways system is treated by the courts as a unit and reorganized as a single company can the car riders of the city hope to procure adequate service at a reasonable cost. The city will continue its fight in the district court, the circuit court and the supreme court if necessary."

Holders of the minority publicly outstanding underlying security issues consider the Special Master's report as substantially strengthening their claims. They consider it likely that the district court will accept Adair's recommendation and dismiss the City's petition. The Philadelphia Company, parent of Pittsburgh Railways, has indicated its continued willingness to enter into negotiations with the public holders looking toward a lifting of the receivership and an offer to purchase outstanding issues.

City of Philadelphia

Annual savings of more than $1,000,000 in debt service are anticipatel by City Controller Robert C. White under the terms of a proposed bond refinancing and redemption plan.

At present, the City has outstanding $12,983,800 in bonds which bear interest from 4 to

(Continued on page 939)

Bankers Securities Directors Elect

PHILADELPHIA, PA.—At an organization meeting of the board of directors of the Bankers Securities Corporation, 1315 Walnut Street, Alfred Blasband, heretofore secretary and treasurer, was elected vice-president and treasurer, and Charles J. Green, heretofore assistant secretary and assistant treasurer, was elected secretary and assistant treasurer. All other officers of the Corporation were re-elected as follows: Albert M. Greenfield, chairman of the board; Walter T. Grosscup, president, and Clifford B. Hawley, vice-president.

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Pennsylvania Authority Revenue Bonds

Some of the Reasons for the Steadily Growing Investor Interest in This Type of Obligation

By B. NEWTON BARBER

Since the passage of the Municipal Authorities Act of 1935 by the Pennsylvania State Legislature, numerous authority bonds have come on the market and have received an increasingly good reception.

B. Newton Barber

Investment houses, particularly those dealing in municipal obligations, were quick to recognize the sound investment position of such bonds and have carried on a campaign of educating their clients to their merits. Much has been written on the subject, including articles which have appeared in these columns, so that it is no longer necessary to deal with elementals.

There have been logical buyers who have turned a deaf ear to offerings of this type of security for sound and obviously sincere reasons. Time has, and will continue to supply the answers to such objections and these columns present an opportunity to point out some of the constructive developments.

The Tax Status

For several years the exemption of interest received on such obligations from Federal Income Taxes and Surtaxes has been clouded by the efforts of the U. S Treasury Department to have such income declared taxable by the courts. These efforts were carried on principally through the Port of New York Authority "Shamberg" test case. The recent decision of the U. S. Tax Court, which was subsequently upheld by the U. S. Circuit Court of Appeals, and the recent refusal of the U. S. Supreme Court to review the case determines the matter favorably for the bondholders. It would, of course, be possible to make future issues taxable through legislation, but it now appears that the tax-exempt status of outstanding issues could only be altered by constitutional amendment — an extremely remote possibility.

Record of Performance

Most of the bonds issued under the Act have been for the purpose of acquiring existing privately owned water systems, so that we generally have had an established earnings history for the properties for a number of years. Such a record, together with an independent water engineer's estimate of costs under authority operation and all the protective provisions that could be logically incorporated in the indenture, provided the basis for the original offerings.

We now have the advantage of actual operating results for a number of Authorities for periods covering from one to five years. In addition it is possible to make comparisons to measure the soundness of the debt by the proper relation between its size and the revenues produced.

Any number of examples of how operating results compare with the engineer's estimates can now be cited. For the purpose of illustration let us take the Hazleton City Authority Water Revenue issue. This Authority has been operating the former Hazleton Water property since April, 1943, and below is the actual average revenue and expense under private ownership, the engineer's estimate for Authority operation and actual results under the Authority.

	5 Year Avg. Private Oper. (1938-1942)	Fiscal Year 4-19-1943 to 3-31-1944	Forecast	Difference
Operating revenue and other income	$355,616	$342,257	$324,355	$17,902
Operating and general expense	122,870	125,328	121,250	4,078
Maintenance	29,741	18,431	20,000	*1,569
Taxes	41,700	------	------	------
Uncollectible accounts	1,489	472	1,489	*1,017
Administrative expense	------	3,420	6,487	*3,067
Total operating costs	$195,800	$147,651	$149,226	$1,575
Income available for debt service	159,816	194,606	175,129	19,477

*Decrease.

The major items of difference between private and public ownership are the taxes and depreciation expense. The Authority is not subject to taxes and the elimination of depreciation is offset by the serial maturity of the debt. In the first 11 months and 12 days of Authority operation, revenues were sufficient for interest, payment of $22,000 of bonds that matured and the accumulation of $50,231.19 of reserve funds as of December 31, 1944. This actual showing exceeded the Engineer's estimate and is not due to abnormal conditions since Hazleton is not what might be termed a war boom city. The bonds of Hazleton Water Authority mature serially to 1983 and there is every reason to believe that the Authority will meet its obligations punctually and probably anticipate the longest maturities.

The 1943 Amendment to the Authorities Act of 1935

The acquisition of utility properties by authorities was not subject to the approval of the Pennsylvania Public Utility Commission under the original act, and the lack of public approval has been the subject of critical comment in the past.

The Act of June 28, 1935 was amended by the Act of May 26,

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Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—**Herbert Bancroft** and **David C. Hoover** have become connected with **Russell, Berg & Co.,** 75 Federal Street. Mr. Bancroft was formerly with Massachusetts Distributors, and prior thereto was in business for himself in Hingham, Mass.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**Charles L. Perry** has been added to the staff of **B. C. Christopher & Co.,** Board of Trade Building.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Geo. A. Landis** is with **Conrad, Bruce & Co.,** 530 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Rudolph Wihl,** formerly with E. F. Hutton & Co., has joined the staff of **Dean Witter & Co.,** 634 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**John R. Haines** has become connected with **Herrick, Waddell & Co., Inc.,** 418 Locust Street. Mr. Haines was formerly with Taussig, Day & Co., Inc., and Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Frederick Georgi** has been added to the staff of **Davies & Mejia,** Russ Building.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Lauren G. Hannaford** is with **Hannaford & Talbot,** 519 California Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Dorothy M. Munro** is connected with **Wulff-Hansen & Co.,** Russ Building.

(Special to THE FINANCIAL CHRONICLE)

YOUNGSTOWN, OHIO—**Glenn I. Kerr** has become affiliated with **The S. T. Jackson & Co., Inc.,** Union National Bank Building.

1943 which remedied this situation through Section 9 (b) which reads in part, as follows: "(b) No Authority shall acquire by any device or means whatsoever, including a consolidation, merger, purchase, or lease, or through the purchase of stock, bonds, or other securities, the title to or the possession or use of all or any substantial portion of any project as defined in this Act, which said project is subject to the jurisdiction of the Pennsylvania Public Utility Commission, without the approval of the commission, evidenced by its certificate of public convenience, first had and obtained in accordance with the procedure and investigations as to value as outlined in section two hundred and three of the act, approved the twenty-eighth day of May, one thousand nine hundred thirty-seven (Pamphlet laws, one thousand fifty-three), known as the 'Public Utility Law'. The word 'acquire' as used in this paragraph shall include only the acquisition of existing facilities."

The Pennsylvania Public Utility Commission has interpreted this to mean that the value standard must represent a fair price to the interested parties and that the prospective earnings of the Authority must be high enough to support the intended bond issue.

In view of this combination of favorable developments and the constantly widening recognition of the facts by investors, excellent secondary markets are now possible and in fact are active on a number of the outstanding issues.

Wm. McCullen Heads W. H. Newbolds Dept.

PHILADELPHIA, PA.—W. H. Newbolds Son & Co., 1517 Locust Street, members New York and Philadelphia Stock Exchanges, announce the opening of a Bank Stock Department under the direction of William J. McCullen. Mr. McCullen has been a specialist in Philadelphia bank stocks for the past 25 years. He was associated with H. N. Nash & Co. and Belzer & Co., and more recently was a partner in F. J. Morrissey & Co.

William J. McCullen

Business Man's Bookshelf

Manual of St. Louis Banks Stocks, 1945 Edition—G. H. Walker & Co., Broadway & Locust St., St. Louis, 1, Mo.—paper—copies on request.

Railroad Retirement and Unemployment Insurance Systems, Changes Proposed in the System by a Bill in Congress and Reason Why the Bill Should Not Be Passed—Association of American Railroads, Washington 6, D. C.—Paper.

Standing Room Only—Thoughts and Comments on Bank Buildings and Equipment—Joseph C. Wilson, President of the Wilkinson Equipment Company of Philadelphia, and the Upper Darby National Bank of Upper Darby, Pa.—paper.

Byllesby and Collings Firms Phila. Exchange Members

PHILADELPHIA, PA.—H. M. Bylllesby and Company, Inc., Stock Exchange Building, and C. C. Collings & Co., Fidelity-Philadelphia Trust Building, have been admitted as member corporations of the Philadelphia Stock Exchange.

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Pennsylvania Brevities

(Continued from page 938)

4½%. The Controller explained that there are sufficient funds in the sinking fund to pay off all except $1,200,000 of these bonds, and that the balance could be refinanced with a new serial issue at a rate of perhaps less than 2%. Dr. White estimated the City would save $537,000 a year through this transaction.

The second step in the debt reduction program provides for the refunding of $41,016,200 of bonds during the current year under the Drexel-Lehman plan adopted in 1941. Through lower interest charges, this exchange is estimated to save another $468,677 annually.

In preliminary figures subject to final audit, Warner Company, producers and distributors of sand, gravel, limestone products and central-mix concrete in the Philadelphia area, reports 1944 profit, after depreciation and depletion and all interest and ground rents and after provision of $245,500 for income and excess profits taxes, in the sum of $440,071. This compares with $606,844 similarly reported in 1943. Current operations are considered satisfactory in view of building restrictions.

"V" Day in Europe is expected to bring a substantial release of manpower and materials, following which Warner Company is prepared to expand its activities in connection with a large backlog of local projects. An early statement is expected in reference to the company's proposed plan of recapitalization.

Under date of February 15, Crescent Public Service Co., Philadelphia-managed utility holding company, announces that its plan for dissolution and distribution of securities is being held in abeyance by the SEC pending a final court ruling on the Standard Gas & Electric Co. plan. The latter, which is held to involve certain novel questions of law, will, if approved by the court, set the pattern for virtually all holding company plans.

The SEC has granted C. B. Wiggins, C. B. Carter and H. J. Belander, all of New York, permission to represent preferred stockholders of Scranton-Spring Brook Water Service Co. in reorganization proceedings.

Hillman Coal & Coke Co., Pittsburgh, has agreed to purchase 2,200 acres of coal lands from Emeral Coal & Coke Co. for $826,400.

Employe retirement plans, unanimously recommended by the respective boards of directors, will be submitted for approval of stockholders at annual meetings of Fire Association of Philadelphia, Lumbermen's Insurance Co., Reliance Insurance Co. and Philadelphia National Insurance Co. on March 21.

Riegel Paper Corp., Easton, Pa., announces the election of Walker Hamilton, Philadelphia, as Executive Vice-President.

Steel production in Pittsburgh started the week with a schedule of 92% of capacity, compared with 89.5% the previous week and 88% a month ago.

Donner Estates, Inc., of Philadelphia, has contracted to purchase from Engineers Public Service Co. all of the latter's holdings of Savannah Electric & Power Co. for a consideration of $3,387,500. The SEC had ordered the divestment.

Edmund J. Davis, Rambo, Keen, Close & Kerner, returned last Monday from his Florida honeymoon, is alleged to have visited the local Blood Bank—for a withdrawal.

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McKellar With Nat'l Securities & Research Corp. Coast Branch

Douglas Laird, Vice-President of National Securities & Research Corporation, 120 Broadway, New York City, announces the addition of Mr. Daniel H. McKellar to the Pacific Coast wholesale distributing organization.

Mr. McKellar will make his headquarters in the Los Angeles office, 634 South Spring Street. He started in the securities business in 1919 in the bond department of the Security First Nationall Bank and since then has had wide experience in all branches of the business. Among his past connections were the Pacific Company of California, Blyth & Co., Transamerica Company and as partner of Welch-McKellar. Mr. McKellar comes back to his host of friends in Spring Street after two years in war work.

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History and Forecast of Rail Credit

(Continued from first page)

market value of all the corporate bonds listed on the New York Stock Exchange was about $14,100,000,000. Of that amount the railroad bonds represented a market value of about $8,100,000,000, which is about 57%.

Public utility operating company bonds represented about $2,700,000,000, telephone securities about $1,000,000,000, and the balance were miscellaneous; so that by far the greatest amount of corporate bonds available to the fiduciaries and investors of this country are railroad bonds.

Until 1931, we had outstanding about $10,500,000,000 railroad bonds, and in the great majority, these bonds were owned by fiduciaries, savings banks, insurance companies and trust funds. It was rare that an individual was asked to buy a railroad bond, because the bonds traded in blocks of $100,000, $200,000 or $500,000, somewhat the way utilities do now, and they were sold to institutions throughout the United States. As a result, it was unusual for an individual to own any railroad bonds.

In retrospect, almost 100% of us railroad bond men in the days, 1920 to 1930, didn't know much about railroad credit. We were students of maturities and yields. If you knew the maturity and the yield, you were a railroad expert, in those days.

There is hardly a defaulted bond in existence today, with a coupon of 4½% or 5%, that did not sell at a higher dollar price than Norfolk & Western 4s of '96; and likewise Rock Island 4s of '88, sold at exactly the same yield as Norfolk & Western 4s of '96, although even in that period the coverage on Rock Island was about 1.30, and the corresponding coverage on Norfolk & Western was about six times.

Looking back, therefore, we didn't know much about railroad credit; all we knew was maturities and yields, and that generally is the way the institutions bought bonds.

In the depression which came along in '31, '32 and '33, the railroads were hit twice as hard as most industries, because during the period 1920 to 1932, the trucking industry came into being. It was then unregulated, and although the trucks took a considerable amount of business, the major effect of the unregulated trucks was the lowering of railroad rates, unnoticed to some extent while the industrial activity was high, but thereby creating a double depression for the railroads in the Thirties, operating under rates reduced because of the development of the trucking industry, and also operating in a great depression.

As a result, our one buyer, the institutions, in 1932 stopped buying. Now you know that prices are made by buyers and sellers, and whether it was railroad bonds or sugar or coffee or municipal bonds, if your one buyer had stopped buying, it would be bad enough. You had a frozen situation.

I can remember, late in 1930 for example, Mobile & Ohio 4½s of 1977 selling at 98. Suddenly you couldn't get a fiduciary buyer for railroad bonds. These bonds in 1931 sold on the New York Stock Exchange at 8. In other words, the declines were caused two ways, first by the buyer leaving the market and then, as you all know, over the last 13 years—1944 was the first exception, these institutions have been sellers on balance of railroad securities.

As a result, the low prices to which railroad securities went did not indicate their value, they indicated a mechanical situation in the relationships of buyers and sellers.

In the first place, Wall Street was not then and is not now geared to sell defaulted bonds to the public. Rare is the occasion when you see a discount bond offered to the public by the syndicate houses, as we have them organized now. As a result, Wabash refunding 5s of 1980, which came out in 1930 at 100½ and were sold to the institutions in 1932, sold on the New York Stock Exchange at 2⅜, a decline of close to one thousand dollars per bond.

Why? Certainly not because the value had changed that much, where a bond could be worth one thousand dollars one year and $27.50 the next year. It was only because of the mechanics of buying and selling. The buyer quit the market and became a seller. There was no buyer at any price until they went down to where people called them "rank speculations," and then we had to go out and get the "rank speculators," the individuals in the United States, to buy these bonds at $27.50, which the institutions bought two years previously at one thousand dollars, and it wasn't easy. Therefore, when you look up the low prices to which railroad securities fell, it may or may not indicate the value of that security now or then, because, in my opinion, those tremendously low prices of railroad securities were due to this mechanical situation of lacking buyers.

* * *

As a result of the depression and the lower rates, some railroads became bankrupt, some of the roads became border-line, but nevertheless a great many of them retained their credit.

Today another cycle is about to be completed, because with the exception of the obligations of the defaulted railroads, or those in bankruptcy, almost 80% of all the fixed interest-bearing bonds of the American railroads are now selling at the call price, or on a 3¼% basis. The cycle has almost been completed in bonds, as I will explain to you in detail.

We have a tremendous amount of confusion about railroad bonds, because there are 137 Class I railroads and there are about 35 terminal companies, but let us eliminate a bit to see if we can visualize the problem a little clearer.

Although we have 137 Class I railroads, six railroads in this country do about 40% of the business — the Pennsylvania, New York Central, Southern Pacific, Baltimore & Ohio, Atchison, and Union Pacific. Those are your six major railroads in the United States, and year in and year out they do about 40% of the business.

Now I add to this group a few more. I take the railroads whose average gross in normal times is more than $25,000,000, and I have 41 railroads that do about 88% of the railroad business.

Fourteen of those 41 retained their credit, and by retaining their credit, I mean they are railroads which were never in any danger of bankruptcy or receivership, and those railroads, in order of gross, are the Pennsylvania, the Atchison, the Union Pacific, Chesapeake & Ohio, Great Northern, Norfolk & Western, Louisville & Nashville, Chicago, Burlington & Quincy, the Reading, the Duluth and Iron Range, Texas Pacific, Pittsburgh & Lake Erie, the Elgin, and the Virginian; 14 railroads out of the 41, and those 14 railroads do 36% of the business.

So when you hear the generalization made that all railroad credit was endangered, it was not true. Never for one month or one day was the credit of any one of those 14 railroads in any difficulty whatsoever. In some cases they have paid dividends each and every year.

These 14 railroads carried fixed charges, at their height, of $158,000,000, and although most of the publicity has been on the border-lines reducing their debt, as a matter of fact these 14 railroads which enjoyed good credit have reduced their over-all fixed charges, percentagewise, more than the border-line railroads.

At the present time they carry fixed charges of $118,000,000, against a high of $158,000,000. At the fixed charges of $158,000,000 they had to save 8.1¢ to pay their fixed charges (based on 1941 gross), and they were able to pay this 8.1¢ out of each dollar and retain their credit. Right now, under their reduced charges, and I am using the 1941 gross as a normal gross, they have to earn 6.6¢ to pay their fixed charges.

Now obviously the problem of the next group, the 13 border-line railroads, is to reduce their fixed charges at least down to where they only have to earn about eight cents, because at that level, even going back to the worst days of the last 13 years, they should be able to retain their credit.

These 13 border-line railroads, in order of their gross, are the New York Central, Southern Pacific, Illinois Central, Southern Railroad, Northern Pacific, Atlantic Coast Line, Delaware, Lackawanna & Western, "Nickel Plate," Boston and Maine, Lehigh Valley, Pere Marquette, Missouri,

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Kansas & Texas and Delaware & Hudson.

I label them "border-line" because they were, in my opinion, all border-line at some time in the depression. With one or two exceptions, they are now in the good credit class. These 13 border-line railroads doing about 28½% of the business in America, formerly carried fixed charges of $190,000,000. They escaped bankruptcy in most cases by RFC loans, by bank loans and by loans from subsidiaries.

In the last five years they reduced their fixed charges to $148,000,000, so that previously while they had to earn 13 cents out of each dollar to pay their fixed charges, they now have to earn 9.7c. They are still not down to the level of the good credit railroads.

The other 14 railroads in this group of 41 went into bankruptcy and, in order of gross, they are the B. & O., the Missouri Pacific System, the St. Paul, Chicago & North Western, the New Haven, the Erie, the Rock Island, the Seaboard, the 'Frisco, the Wabash, Central New York, the Denver, the "Cotton Belt" and the Western Pacific.

These 14 major railroads which are in bankruptcy, or which were in bankruptcy and have been reorganized, carried fixed charges of $175,000,000, so that they needed to pay out 15 cents of their gross for fixed charges and couldn't do it when the combination of lower rates and depression came together, and that put these railroads into bankruptcy.

Under the ICC system of reorganization, these fixed charges of $175,000,000 are reduced, or will be reduced at the completion of the reorganizations, to $54,000,000, so that whereas they formerly had to earn 15 cents to pay their fixed charges, they now have to earn four cents out of each dollar, so they are now in twice as good protection so far as fixed charges are concerned than the good credit railroads were during the depression.

* * *

There are about $8,900,000,000 par value railroad bonds on the New York Stock Exchange and they represent practically all of the railroad bonds except equipments. This compares with about $10,500,000,000 available as of 1930. This is a reduction of about $1,600,000,000 over the last few years.

Now, out of this $8,900,000,000 these 41 railroads represent $7,600,000,000. The terminal railroads represent about $400,000,000. The reorganized income bonds represent about $450,000,000; the reorganized first mortgage bonds represent about $284,000,000 and the obligations of small railroads, such as the K. S. U., the Maine Central and the Bangor & Aroostook, represent the balance, about $173,000,000.

We have had already a loss in fixed interest-bearing bonds, that is a decrease in actual amount, of $1,600,000,000. The bond obligations on NYSE of railroads now in bankruptcy represent $2,700,000,000 par value. So, looking to the investment in fixed interest-bearing railroad bonds of solvent companies, whereas you had a choice of $10,500,000,000, your choice has been reduced by $1,600,000.000 through reductions, and by $2,700,000,000 because institutions cannot buy, generally speaking, the obligations of railroads in bankruptcy.

If you assume that institutions will not or cannot buy the income bonds, we have a further elimination of $427,000,000, so that the actual amount of fixed interest-bearing bonds on the New York Stock Exchange today is $5,700.-000,000, a decrease of about 45% in the amount of railroad bonds available for investment.

Now taking the three groups again, the obligations of the 41 represent about $7,600.000,000 out of $8,900,000,000 par value.

First taking the 14 good credit railroads, these railroads have obligations on the exchange, of $2,100,000,000 par value. There isn't a single bond on the Exchange of that $2,100,000,000 that is not selling at the call price or on a 3¼% basis, not a single one out of that $2,100,000,000. Therefore their credit, representing these railroads that maintained their credit throughout the depression, is now generally speaking as good as industrial bond credit or public utility bond credit.

Furthermore, about 58% of this $2,100,000,000 is callable or due within the next two and one-half years, and in my opinion will be refunded. In other words, in the next 18 months I believe these 14 good credit railroads can refund every callable bond they have, with a lower coupon bond, the same as the utilities are doing, and don't forget: because the Burlington, for example, refunded at 3¾, and accomplished one step, they can't do it again with 2¾, to accomplish the second step, the same as the utilities have done.

The $2,100,000,000 obligations of the 13 "border-line" railroads; of that total, $1,500,000,000 is selling at the call price, or on a 3¼% basis, so out of the fixed interest-bearing bonds available at a discount, there remains out of this $7,600,000,000, excluding the obligations of the defaulted railroads, $1,200,000,000, and of that all but $197,000,000 are selling above 80. The great majority is selling above 90.

So excluding the defaults, there are only $197,000,000 railroad bonds, fixed interest-bearing railroad bonds on the Exchange, selling now below 80. In my opinion, within the next six months, 90% of this balance of bonds at a discount, will sell at a premium.

Of those 13 railroads, only 18 months ago, hardly a single bond sold at a premium; out of this tremendous total of $2,700,000,000 hardly a single bond was selling at par. Today, as I have just said, over $1,500,000,000 is selling at the call price, or on a 3¼% basis. As you see, most of the financial problems among the "borderlines" have been completely cured.

You saw only day before yesterday the Pere Marquette, whose bonds sold at 20 and 30-point discounts only two years ago, and 10 and 12-point discounts only a year ago, sell 3⅜ to the public at a premium. That solves that problem, so far as bonds are concerned.

Likewise, with the Nickel Plate. Did price indicate anything? In predictings things, I cannot prove the future and neither can you, but I have little patience with people who prove facts to me and tell me Nickel Plate notes sold at $10. I say they also sold at $1,000. Those are just facts, information. Information is not judgment. I want to know whether they were too high when they were originally sold at $1,000, or too low when they soid at $10.

The Nickel Plate has now solved its bond problem, they are all selling at a 3½% basis.

The Boston & Maine fixed interest-bearing bonds, — there are no bonds at a discount, they are all selling above par. The Delaware & Hudson, all the bonds of the system are selling above par.

In the New York Central System, we still have bonds at a discount. Some bonds of the Southern Pacific are selling at a discount. Only one direct obligation bond of the Southern Railway is at a discount, and that is only a point from par, Southern Railway 4's.

Northern Pacific—we still have the 3's selling at a substantial discount, but the refunding bonds in my opinion will sell at the call price within a few months, and you will probably be buying 3¼'s of the Northern Pacific to replace 6's, 4½'s and 5's.

The Illinois Central is the third large system where you can still buy bonds at a discount, so our problems among the large railroads are New York Central, Southern Pacific, and Illinois Central. In my opinion you will be buying Southern Pacific 3¼'s some day to refund their 4½% debentures, and the 5's, all of which are callable.

With Illinois Central, fortunately about half their debt is callable, and the balance of their debt is due '51 to '55. Their problem and the Southern Pacific problem—you all hear about the Southern Pacific's maturity problem, and the Illinois Central's maturity problem. That is not the problem. The problem is their credit. **If you have credit,** maturities are not a problem.

Now how can they restore their credit? **Simply by getting the refunding bonds up to the call price, in the case of Southern Pacific, and Illinois Central, and then their credit is restored, and you will buy 3¼'s from them. That** will restore their credit long before the Central Pacific 4's are due in '49, and long before any of the Illinois Central debt is due in 1950 and '51.

If this callable debt of the border-lines is refunded at 3¼%, their fixed charges will be down from a high of $190,000,000 to $126,000,000, where they will need 8¢ out of each dollar of gross to pay their fixed charges, which puts them on a par with the good railroads which retained their credit through the worst period we will probably ever see, at least if we go back to that period with our present debt and our present budgets, that we will have a lot more to worry about besides railroad credit.

Now so far as bonds are concerned, to you as investors and bankers and trustees, I obviously believe in the future of railroad credit. I think we are bankruptcy-proof, through these:

No. 1. Reorganizations.

No. 2. Good credit-reducing fixed charges, and the borderlines restoring their credit by some method.

In these 41 railroads there are a few problems still to be solved, like Lehigh Valley and D. L. & W., but they are being solved. I think we are definitely bankruptcy-proof, and if we have removed the danger of bankruptcy, there is no reason why railroad credit shouldn't be as good as industrial credit and go up and down with industrial credit, which means you go up and down with this country.

I don't know what is going to happen three or four years from now, but I can conclude that if I have a bankruptcy-proof industry in the form of their securities, that I can prove to you that when Detroit has good business so do the railroads, and when you have poor business, the railroads are right there with you. When General Motors has good business, so do the railroads, and vice versa.

Despite all the inroads that have been made, including the Great Lakes traffic with the railroads, because most of the Great Lakes business is rail-water, the railroads will still do almost 87% of all the ton-miles carried in this country, which is an awful lot of business.

Going now to the bankruptcy railroads, I mentioned them. Four large ones have completed their reorganization, the Chicago Northwestern, the Erie, Western Pacific and the Wabash. Two more will be completely reorganized, in my opinion, this year, the Seaboard and the B. & O.

Next year, in my opinion, the St. Paul and the Denver will be completed, and, dependent upon the passage or non-passage of the so-called Hobbs Bill, will depend the progress of the Rock Island, the Missouri Pacific, the New Haven, Frisco, Central New Jersey, and Cotton Belt, which is the total of that group of 14 railroads in bankruptcy, or which have been.

There, again, the mechanical relationship of buyer and seller is so well illustrated.

Four years ago I talked in Cleveland and tried to convince the audience there that Wabash first mortgage bonds in the form of the old security, 5s of 1939 at 30, represented deflated value, because of only a mechanical situation in the market. Do you realize that if all the institutions of this country, in March, 1931, agreed not to sell any railroad bonds they would never have gone down to those extreme levels? You can't put a market down by wishing it down. You put it down by selling, selling, selling, and if you can't find buyers, it will go right to 1. It did in a lot of cases in railroad bonds.

Then you wait a few years; you take the railroad out of bankruptcy like they did the Wabash, the 5% bonds, which I recommended at 30, including the back interest of five years, were worth 130 as 4s.

Now those same bonds are selling at par or above as 3¼s. The cycle is now complete in Wabash. They were with the institutions, they were sold out of the institutions. They have now got their new dress on and they are back with the institutions. Institutions not being able to hold them, apparently, being forced to sell them willingly or unwillingly by bank examiners and other regulations; enabled individuals for the first time in history to buy railroad bonds, because institutions generally speaking cannot buy "defaults," and over the course of the last four or five years individuals have done all right by holding defaulted bonds while they changed the dress and made them new, witness Erie, Chicago & Northwestern, Wabash. A tremendous mechanical profit, representing at times two, three, four, five or 600%, was set up while they changed the situation from an "insolvent" to a "solvent."

Take B. & O. first mortgage bonds today at par, the refund mortgage bonds at 76, the income bonds at 64, preferred at 27 and the common at 14½, why? It is under a temporary cloud of bankruptcy, under the Chandler Act. Now is the time to purchase B. & O. securities, not to wait until they are high priced. It is the fourth largest railroad. It is reducing its fixed charges about 50% from the high point and the most obvious thing that the market has completely overlooked, in my opinion, is that as part of this plan practically all of the $571,000,000 of debt is callable. Figure it out for yourself.

Their average coupon is about 4½%. Reduce that to 3% by subsequent refunding. It is the same thing as buying one-third of the debt in the open market and cancelling them.

It is somewhat to us today academic whether Northern Pacific 3s, due Jan. 1, 2047, are paid then or not, or Elmira and Williams-

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History and Forecast of Rail Credit

(Continued from page 941)

ort 5s at their due date of Oct. 1, 1861. Did you know we had one that long? The interest charges are the important thing.

As far as institutions are concerned, if I were an institutional man, I would certainly see if I could exchange my callable railroad bonds for non-callable bonds; and I think that we are going to buy Illinois Central, Southern Pacific and the New York Central 3¼s over the next two years; so, why not buy 5s and 4½s at today's discounts.

Now, on the defaulted bonds, the situation obviously is not as lucrative as it was three or four years ago, but in my opinion in situations like the B. & O., the D., L. & W., the Lehigh, the Seaboard and St. Paul at the present time, there are vehicles in there by which you can more than double your money as an individual simply by buying value at a discount.

When you use the word "cheap," you say it is cheap relative to something. Relative to what? Something else. "Defaults" are more than that. They are cheap because of a routine mechanical situation where you cannot sell these securities under the cloud of bankruptcy to the greatest repositories of wealth in the world, the institutions in this country. They can't buy them. As soon as they can, they become high grade and they are refunded. You can see for yourselves what is happening, because the tremendous amount of money in this country available for investment will not permit railroads to sell on a 5% basis and everything else on a 2¾% basis.

Now, so far as railroad stocks are concerned, it is a little bit more difficult to explain that. Somebody said, "You have been right on bonds, now why do you pick on stocks?" For this reason, stocks went down with the bonds. Why is it wrong for stocks to go up with the bonds?

"Nickel Plate" bonds sold at 12, the stock sold at 1. The bonds are now selling at 107½. They have been refunded as 3¾s. The stock is at 38 and they say, "Look how high 'Nickel Plate' is, because it sold at a dollar." But they fail to say it sold above par for many years. Nobody tells you that. They say it is up from a dollar. All it is doing is following the bonds.

I admit from these levels on, naturally you have to look forward to dividends to increase the price to 60, 70 or 80, which I think will be done in most of these border-line cases when they are able to put themselves on a substantial and consistent dividend basis. In each case, however, the stocks will follow the bonds.

Take 3½'s, years ago, Delaware & Hudson bonds at 51, the stock $7 a share. The bonds went to par, they are selling at 105, and the stock went to 40. The management in the meantime had retired sufficient debt to comply with the plan. The stock is now on a $4 annual basis and I think it is selling around 48 or 50. That is the pattern. Bonds are not going to go from 50 to par and the stock stay at $10 a share or $20 a share. It never happened yet, and it never will.

You can see the model. You can trade the railroad stock market by following bond prices. Take for instance two years ago, when Southern Pacific bonds were at 50, and the stock at 31, it was like bucking your head against a stone wall. After all, you can't get the stock ahead of the bonds, not when the bonds are selling at 50% discount.

Now they think Southern Pacific has gone up an awful lot because the bonds are at 95 and the stock has gone up about $10 since then. It has followed more slowly than some of the others, but it definitely will follow. I think it will be the same with the B. & O. Today the income bonds of B. & O. are at 64. I think they will sell at 95 when most of the debts have been refunded, and you will not buy B. & O. common at $14 or $15 a share or preferred at $28 or $29 at that time. The pattern is there, and I think will be followed in all these situations as they work out their restoration of credit.

* * *

Just a few words about the railroad industry.

We talk about competition. We have had competition for the last 20 years. All that competition is now regulated. I have no patience with the railroads saying that trucks don't pay their way. I think the trucks do. I believe the railroads can compete successfully.

I have no patience with people who say we are not going to build more highways. We are going to build more highways. The railroads will have to find a way of competing with them. It will require able management but it can be found. That is a problem of management, how to compete.

Our competition is now regulated. Let managers figure a way of competing.

With the air lines, it is a little bit different, because we subsidize an air line in the country in the form of air ports. We have got an airport in New York, called LaGuardia, that cost about $50,000,000, and they are building another one that will cost $100,000,000 more, and the air lines pay very little, if anything, either for amortization or interest, yet the New York Central has Grand Central Station, that is assessed at $93,000,000, and the New York Central has to pay full taxes on it, as well as amortization and interest.

Naturally, if they are going to subsidize the air industry forever, it will be real competition.

Now as to wages, we have a high wage scale now relative to industry generally. Going back into the history of the thing, we were always under industry generally, therefore the most vulnerable, but now we are on a par with industry generally, and in most cases above.

I feel that rates will, generally speaking, follow prices of materials and wages.

So on this question of wages, I think it is relative with industry generally.

I think one of the greatest things that has occurred in railroads is the fact that management to a considerable degree realize that they now have to sell what they have to offer. They are a service industry and they have to sell service. The days of monopoly are over with.

The railroads have to sell their service. They have to sell superior service, and I think they are beginning to realize they have to. Perhaps in retrospect, this competition was good for them.

You already have had improvement in the form of central traffic control, lighter cars, Diesels and so forth. In my opinion the surface is hardly scratched for further improvement.

As far as post-war is concerned, looking at it selfishly, we have no reconversion problem. We haven't got to rebuild the plant. We have to rebuild a lot of equipment, particularly passenger equipment.

The Pennsylvania borrowed money the other day at 1.97% for 15-year paper, and as you all know, most all equipment maturities and fixed charges are paid from the depreciation account. The railroads, I believe, can do all the financing they want in the form of equipment bonds. **It is my fervent hope we will never again see any railroad bonds with fixed interest issued to finance railroad fixed plant.** I think it is wrong. I think fixed interest-bearing railroad bonds have been sold because institutions wanted fixed interest-bearing bonds, not because fixed interest-bearing railroad bonds were good for the railroad.

I think if we can, if we once again have to explain our fixed plant as distinct from the equipment, I hope we use income bonds, preferred or common. I don't know that we will do it, but I fervently hope so.

My chief competition, as I have said before, in recommending railroad securities, is that the industrials are better. They are all right after the war, railroads are no good.

Now taking the stocks in the Dow-Jones averages, and going back again, saying industrials are good after the war, rails are no good, and assuming with me we have removed the danger of bankruptcy—just assume it, if you don't believe it, I believe it—but just assume it for the sake of the argument, where are you safe?

Do you remember the quick depression we had in 1937 and 1938? Let's see how safe you were in industrial stocks. Allied Chemical, 258, five months later 124; American Can, 121 to 70—I am reading the 30 stocks in the Dow-Jones averages — American Smelting, 55 to 28; American Telephone, 187 to 111; American Tobacco, 99 to 58; Bethlehem Steel, from 105 to 39; Chrysler, 135 to 35; Corn Products, 71 to 53. In other words, pick out the one you are going to invest in now so you are safe. Dupont, 180 down to 90; Eastman, 198 to 121; General Electric, 64 to 27; General Foods, 44 to 22; General Motors, 78 to 25; Goodyear, 47 to 15; Harvester, from 120 to 48; Nickel from 73 to 36; Manville, from 155 to 58; Loew's, from 88 to 33; National Steel, 35 to 17, and on and on. That is the last depression we had. What escaped? What escaped, using those 30 stocks as being fairly representative investments that you can make in industrials? Nothing did.

To emphasize once again, I have always been discount-minded and value-minded. What the crowd wants has never put the stamp of quality on it for me. Simply because a thing is high-priced doesn't make it high-grade. Unfortunately, that is how a great deal of thinking is done in this country; if it is high-priced, in bonds, it is high-grade. That is not necessarily so and, likewise, low prices to me are not necessarily low-grade.

All railroad bonds were high-priced and high-grade, so-called, in 1930 and prior to that time. Two years later they were "no good," "speculative," "footballs for speculation."

Another thing is your memory of railroad securities is not experience and your prejudice against railroad securities is not your judgment, and information, as I said before, is not judgment. It has to be done by a combination of experience and judgment, which gives us knowledge, and I think on the basis of the present condition of the railroads that their credit, both in bonds and stocks, for the foreseeable future, represents one of the best corporate investments and should be included to some extent in all portfolios where fiduciaries or individuals are interested.

Tax Speculation and Stop Progress

(Continued from first page)

conditions accompanied by a relative shortage of goods, Mr. Eccles would not only continue price controls and materials allocations in the period but would levy "an excess profits tax on speculative gains aimed to eliminate the speculation."

The Basic Fallacy

Now what are the fallacies of this seemingly novel, drastic and impractical proposal?

In the first place, it is based on the erroneous assumption that speculation produces inflation. Nothing can be farther from the truth. Speculation is the accompaniment and the result of inflation. One does not buy to sell again at a future date when prices are falling. To do so would mean that he wishes to incur losses. Any simple-minded boy should know this, and it needs no economic textbooks to point it out to him. It is only when a trader, be he manufacturer, merchant or professional speculator sees prices on an upward trend and believes this trend will continue for a time (whether short or long) that he is willing and anxious to convert money into other property for resale with a view to profit from the transaction. This is axiomatic in human nature. Yet, throughout centuries, legislators and social reformers have acted on the belief that wild periods of speculation have raised the level of prices and have caused the evils resulting from the cycle of booms and depressions which have oppressed modern society.

Lord Macauley, in introducing his account of the violent wave of speculation which swept through England at the end of the Seventeenth Century, gives a clear picture of the conditions which produce this condition. He says:

"During the interval between the Restoration and the Revolution, the riches of the nation had been rapidly increasing. Thousands of busy men found every Christmas that, after the expenses of the year's housekeeping had been defrayed out of the year's income, a surplus remained, and how that surplus was to be employed was a question of some difficulty. . . . The natural effect of this state of things was that a crowd of projectors, ingenious and absurd, honest and knavish, employed themselves in devising new schemes for the employment of redundant capital. It was about the year 1688 that the word 'stock jobber' was first heard in London. In a short space of four years a crowd of companies, every one of which confidently held out to subscribers the hope of immense gains, sprang into existence."

A similar situation developed three decades later and collapsed with the South Sea Bubble. It was not speculation which produced the condition, but the condition which produced the speculation. A plentiful supply of money and credit leads to inflation, which in turn incites speculation, and this, when out of hand, brings about the collapse, which abates or curtails the evil.

The Function of Speculation

If the economic function of commercial speculation were correctly and more widely understood, it perhaps would be realized that speculation, instead of being a cause of persistent and rapid price rises, frequently acts as a curb to the trend and, above all, prevents or allays the evil effects of abrupt and drastic price changes. This was clearly expressed by one of the sanest and most practically-minded British economists more than a century ago. John R. McCulloch, who, as evidenced by his classic massive encyclopaedias of commerce and his other voluminous contributions to commercial knowledge, fully understood trade and industry in all its aspects, wrote in his "Essay on Commerce":

"Every transaction in which an individual buys in order to sell again is, in fact, a speculation. The buyer anticipates that the demand for the article he has purchased will be such at some future period, either more or less distant, as will enable him to dispose of it with profit; and the success of the speculation depends, it is evident, on the skill with which the circumstances that must determine the future price of the commodity have been estimated. It follows, therefore, that in all highly commercial countries, where merchants are possessed of large capitals, and where they are left to be guided in the use of them by their own discretion and foresight, the price of commodities will be very much influenced, not merely by the actual occurrence of changes in the accustomed relation of the supply and demand but also by the anticipation of such changes. It is the business of the merchant to acquaint himself with every circumstance affecting the particular description of commodities in which he deals. . . . If he learned that the supply of an article had failed, or that the demand for it had been increased, he would most likely be disposed to buy in the expectation of profiting by a rise in price. . . . If the intelligence received by the merchant had been of a contrary description—if, for example, he had learned that the article was now produced with greater facility, or that there was a falling off in the demand for it—he would have acted differently: in this case he would have anticipated a fall of prices and would have declined to purchase the article except at a reduced rate, or have endeavored to get rid of it, supposing him to be the holder, by offering it a lower price."

And McCulloch, on the basis of the simple understanding of human psychology noted above, adds that "those who indiscriminately condemn all sorts of speculative engagements have never reflected on the circumstances incident to the prosecution of every undertaking," and he concludes that "speculation is therefore really only another name for foresight."

It remained for the late President Hadley of Yale University to elaborate on McCulloch's reasoning. Hadley devoted an entire chapter of his textbook on Economics to "Speculation," and he stressed the economic function of speculation as a price stabilizer, i.e., as a means whereby abrupt and unwarranted price changes are minimized. "Commercial speculation," says Hadley, "is sometimes analogous to insurance and sometimes to gambling." "In the former case," he continued, "it is said to be legitimate, in the latter, it is said to be illegitimate. But the legitimate and illegitimate transactions are so much alike in their form, and so inextricably mingled in practices, that it is often extremely hard to draw the line between them."

This is a point which, as will be shown later, Mr. Eccles neglects to take into consideration in his tax proposal. It would make the whole scheme as impractical as to distinguish an "investment" from a "speculation" transaction in an ordinary purchase and sale agreement.

Wild Speculation Not an Unmixed Evil

Wild speculation is undoubtedly an evil! And when it jumps out of the traces imposed by human caution and insight, it causes great suffering and distress. But without speculation, would there be progress of any kind? Risk is not only an element in all commercial transactions but it is present in every human activity that is concerned with the future. Risks cannot be wholly eliminated, and it is the nature of the business man to take risks. But risks are not taken without a view to compensation and, as the old textbooks told us, the greater the risk the higher the gain to be anticipated.

Moreover, individual losses from speculation, like speculation itself, is not without its economic and political benefits. The sacrifices of American speculators have made this country great! These sacrifices; these individual losses of our pioneer enterprisers have opened up new lands and encouraged new settlements; they have built our canals and railroads; they have established new industries; and they have created new comforts and conveniences for their fellow men. Robert Morris, the Financier of the Revolution, lost his fortune in land speculation, but his activities in this field have been, perhaps, of greater and more lasting benefit to the nation than his services to the Continental Congress. He laid the groundwork for the rapid settlement of western New York and Pennsylvania, and he was among the promoters of early highways and canals. Both Washington and Hamilton were "speculators." Each sought personal gains in promoting enterprises of public importance. Washington expected to profit largely from the Potomac Company, which was a child of his brain. And Hamilton in promoting the Society for Useful Manufactures, out of which grew up the industrial city of Paterson, N. J., had the same objective in view. Would you condemn efforts of this nature by levying a special tax on them?

There is no economic or political objection to controlling wild speculation, i.e., "over-trading," as the English call it. It has been tried time and again. After the South Sea Bubble fiasco in the early Eighteenth Century, the British Parliament passed drastic laws against "stock jobbing." But trading in stocks and pecuniary speculation continued, though somewhat abated. New York State passed similar legislation several years after the Revolutionary War, as a result of the commercial debacle brought on by the speculations of William Duer and his associates in the new United States bonds. During the Civil War Congress attempted to eliminate speculation in gold bullion by enacting legislation prohibiting it, but the mistake was discovered within a month's time, and the legislation hastily repealed. Germany at the end of the last century enacted an elaborate code of punitive measures against commodity and stock speculation, but the whole machinery of it broke down and was finally abandoned. Mass speculation of the populace is the result of a mental attitude produced on the social conscience. It should be controlled, if at all, by action on the causes which produce the mental attitude, and not by punishment of individuals. **Without speculation, without the willingness and the incentive to take risks, there will be no progress. Cupidity and progress go hand in hand!**

The Proposal Is Impractical

Now let us turn to the practical aspect of the proposed tax "on speculators in real estate and securities." The first question that arises is: What is a speculation transaction? As already stated above, in quoting Professor Hadley, it would be extremely difficult and practically impossible to distinguish between a speculation and any other commercial transaction. The distinction, if any, would lie in the mind of the individual. A seller does not ordinarily tell a buyer whether, in making his purchase, he is speculating, of *vice versa*. Whether a purchase of stock or of real estate is for speculation or investment is a matter of personal intent. This can be known only to the individual and, in most cases, both purposes may be present at the same time, and the "intent" can be momentarily changed.

The time factor (i.e., the period of holding of the purchase) is not essential to the intent. Property, such as land, may be purchased to be held over a long interval, and still the intent is not "investment" but "speculation." Astor purchased vacant land in New York as a speculation. He held large tracts, without receiving income from it, feeling that its value would rise after many years. Speculation, it has been said, requires a "quick turn," but the wisest and safest speculation is that which requires time for its maturity. It is this sort of speculation that the farmer indulges in when he plants an orchard that will require years to bring it to maturity. Accordingly, any tax which is based on the period between purchase and resale, as a gauge of speculation, would be based on a false premise. The speculator does not always resell after a short period merely because his purchase was "a speculation." Neither should the investor always hold "for the long pull" when he finds it more profitable to sell at an earlier time than he anticipated.

If the time factor is no gauge of the "speculative" quality of a transaction, then what other criterion should be set up? Would the tax be applied only to those who buy or sell on "margin," i.e., on credit? Would the tax be limited only to those who make a business of dealing in real estate or securities? If either or both of these bases are used, would it not destroy the industries that depend on these factors for stability and a machinery to effect orderly marketing? The dire results of the tax if thus levied can hardly be exaggerated. Investment in securities would be greatly discouraged! Venture capital and equity securities would find no market!

In order to allay an epidemic arising from overoptimism regarding the nation's future and excessive confidence in continued economic stability, it is foolhardy to kill the patients and lay out cemeteries for them, instead of providing stronger and more useful remedies and seeking to modulate the disturbance by getting at the causes of the disease and spreading sound advice on prevention and treatment. It is only by this method that you can mould essential human actions within sane and definite bounds. The Federal Reserve Board, in the exercise of its manifest duties, by insisting on sound monetary and credit policies, and by spreading information regarding business and banking conditions, can do more to control and prevent unsound speculation than all the punitive measures that can be contrived in a tax system or a criminal code.

OUR REPORTER'S REPORT

Historic tie-ups in the investment banking field are beginning to give way under the force of circumstances surrounding the operation of competitive bidding, now the prevalent form of corporate financing in the public utility and railroad industries.

The tendency is for larger firms to demand an interest in a given undertaking equal to that of the house heading up a particular operation. As spokesman for one of the major underwriting houses pointed out this would mean the eventual freezing out of local firms around the country.

He cited one instance where he sought to organize a banking group to bid for an approaching issue. He proceeded to call up firms which had been in a previous underwriting group. There had been a total of 48 houses in the earlier undertaking.

Proceeding to call up ten of the "top" New York firms involved, and ten of the leading houses in a large middle western city as a starter, he ran into a situation where these firms would have taken up the entire issue among them, leaving none for other houses which might have been interested.

It would have meant cutting down the original group by 50 per cent, something which his firm was not inclined to do. Since there are some two dozen large firms which could head up underwriting groups on substantial sized issues, these could be expected to demand equal position with houses acting as managers.

This banker believes that we are destined to see some realignments as time goes on with a larger number of groupings and fewer big fellows in such setups. This, it would appear, foreshadows even keener competition.

Triborough Bridge Authority

The next major operation in the tax-free market will be undertaken by the Triborough Bridge Authority which is engaged now in putting the finishing touches to its program.

Calling for the refinancing of its entire debt structure, now exceeding $98,000,000, this operation is expected to involve an overall total of well in excess of $100,000,000 of new serial and term bonds.

With the new securities expected to reach market after the middle of next month, it is now indicated that the earliest serial maturity will be 1950.

By refinancing its debt on a long-term basis now, the Authority, in addition to strengthening its financial position, would place its bonds beyond reach of any for attempt to make them taxable by the Federal Treasury, at least for a considerable period.

Looking Well Ahead

Although the current week has been relatively dull, from the standpoint of new issues reaching market, activity on the part of underwriters, in forming new groups, indicates they are looking forward to a resumption of emissions through March and April.

Several sizeable offerings, two of them preferred stock issues, are on schedule within a fortnight, but there are indications that bankers are looking further ahead than that.

One group, active in the railroad field, is organizing to bid for any Union Pacific Financing which may develop in the near future, while another is forming to go after new securities which Pacific Power & Light may offer by way of replacing its outstanding $20,500,000 of first and prior lien 5s.

Bell Telephone System

In its report issued last week, the American Telephone & Telegraph Co., which operates the Bell System, reiterated its statement of a year earlier, that at least a billion dollars of new capital would be needed to permit the company to catch up on deferred expansion after the war.

This must have whetted the appetites of the banking world and investors alike, considering the calibre of the security and past performance.

Of course in latter years the big company has done considerable of its finance through the medium of "rights" to shareholders. But in view of its enormous needs and the attractiveness of the money market, it might be inclined to consider long-term bonds when the time comes.

GREAT NORTHERN RAILWAY COMPANY

INVITATION FOR TENDERS

To the Holders of Great Northern Railway Company General Mortgage Gold Bonds

SERIES B 5½% DUE JANUARY 1, 1952,
SERIES C 5% DUE JANUARY 1, 1973,
SERIES D 4½% DUE JULY 1, 1976,
SERIES E 4½% DUE JULY 1, 1977:

Great Northern Railway Company hereby invites tenders on or prior to March 14, 1945 for sale to it for retirement of any of the above described bonds.

Persons desiring to tender bonds for purchase by the Company pursuant to this invitation should fill out and mail to the Company at the office of its Agent, The First National Bank of the City of New York, 2 Wall Street, New York 15, N. Y., a letter in the form which may be obtained from the Company or the Agent stating the price at which such bonds are so tendered. All tenders must be received by the Agent on or before 3 o'clock P. M., Eastern War Time, March 14, 1945. Bondholders making tenders who are unknown to the Company or its Agent should have their signatures guaranteed by a bank, trust company or member of a recognized stock exchange.

The Company may accept the tenders deemed by it to be most advantageous, giving consideration among other things to earliness of maturity as well as net saving. The Company reserves the right to accept or reject any or all tenders and to accept or reject any part of any tender. Notice of acceptance or rejection of tenders will be mailed not later than March 19, 1945, to the makers thereof at the addresses designated by them.

Bonds accepted pursuant to any such tender must be surrendered to the Company at the office of its Agent, The First National Bank of the City of New York, on or before March 28, 1945, or such later date as the Company may agree upon, and will be paid for upon such surrender. Coupon bonds should have the July 1, 1945 coupon and subsequent coupons attached. Registered bonds must be assigned in blank or be accompanied by appropriate detached assignments. Interest on bonds accepted for purchase, whether in registered or coupon form, will be paid to March 28, 1945, but not for any period thereafter.

GREAT NORTHERN RAILWAY COMPANY
By F. J. GAVIN, *President*

St. Paul, Minnesota
February 26, 1945

Holds Initial Phase of "Bull Market" Nears End

(Continued from page 931)

provide funds to take advantage of the truly excellent buying opportunities that should occur after the reaction has taken place.

"The long-range prospect is still for great increases in corporation earnings and dividend payments, and therefore in stock prices, but the near-term outlook suggests an intermediate top in stock prices from which an important decline is likely to occur before resumption of the major advance."

Concerning post-war plans, Mr. Gould says that "over the past two years the nation has been deluged with post-war plans designed to provide full employment and prosperity. We have heard that the economic system must provide 60 million jobs after the war, that national income must be at the $140-$150 billion level, that the FRB Index must be at the 150 or higher level, that taxes must be reduced on corporation income, that taxes must be reduced on individual income. But very few of these plans get to the heart of the matter. They speak of and attempt to treat symptoms and results rather than actualities and causes.

"The economic fact of the matter is that the outlook for corporation profits largely determines whether labor is hired, plants built and machinery installed and whether, therefore, a beneficial spiral of expansion or a vicious spiral of deflation gets under way.

"The national economy is similar to a living organism," Mr. Gould contends, "in that it is healthful and prosperous to the extent that its component parts are in balance and permit the free circulation of the fluids that feed and supply the body. When an economy gets out of balance, internal adjustments take place until balance is restored. During wartime, when economic considerations yield to national survival, an economy can be worked under forced draft by government edict and economic laws seem to be suspended, but sooner or later an economy has to stand on its own feet, and that means, unless a totalitarian concept is embraced, a return to the balanced elements that permit prosperity."

Referring to the present situation, Mr. Gould states, "the American economy at present, so far as manufacturing industry is concerned, is not in balance. The rise in wage costs and the fixing of prices have just about eliminated profit margins in industry, all protests to the contrary notwithstanding. The reason the economy functions as well as it does under current conditions is because of the tremendously stimulating effect of the huge volume of government purchases of war goods. With a return to peacetime conditions, even on the basis of a large reduction in tax payments, there is not the remotest chance of profitable operations, of employment of anything approaching 50 or 60 million people, or of producing the volume of goods so needed by the world, unless profit margins are restored."

After discussing statistical data on corporation earnings and profits, Mr. Gould draws the inference that "there is simply no prospect of a high level of employment and prosperous industrial conditions generally on the basis of any reasonable peacetime volume of production and today's cost-price structure, even after reasonable adjustment for wartime effects.

"Profit margins in manufacturing industry in one way or another will be restored. Either costs will be sharply reduced or prices will rise. As a matter of fact, probably both will tend to occur. There is certain to be some reduction in wasteful wartime costs, but there is no chance that enough increased efficiency, even with the elimination of overtime and other wasteful practices, can be accomplished to offset the huge rise in costs.

"Some rise in prices, probably a sizable rise, will eventually occur and the argument that the productive capacity of the American economy will prevent such a rise is not convincing in view of the great rise in costs that has occurred.

"We have at Washington a labor government committed to the dual policy of higher wages and fixed prices. This policy has been relentlessly pursued during the war years to date, but the squeezing process is reaching its limit.

"No diminution in the pressure for wage increases is likely. Average hourly earnings of manufacturing labor increased 10 cents in 1941, 12 cents in 1942, nine cents in 1943 and less than five cents in 1944. Labor is again becoming restive and pressing for further increases. Last fall's steel wage adjustment of five cents an hour for 400,000 workers in 86 companies paved the way for other wage increases. The steel companies have been urging price rises as necessary and are expected to get some further price increases from the Office of Price Administration, but early restoration of profit margins is quite unlikely. Steel happens to be the most virulent instance of an infection permeating all manufacing industry."

TRADE MARK GAMEWELL REG. U. S. PAT. OFF.

Future of Insurance Companies

The insurance industry is being attacked from three vital angles

(*1*) Demand For Lower Rates

The public insistence on rate cuts will probably grow stronger—with the agents the greatest sufferers.

(*2*) Lower Income on Portfolios

The degree of injury sustained will depend upon future interest rates from which no immediate relief is in sight.

(*3*) Increased Fire and Casualty Losses

These losses can be largely reduced—Loss-ratios are inversely proportioned to municipal fire, police and traffic signals supplemented by sprinklers, automatic alarms and well-trained manpower. *Upon these the value of insurance stocks largely depends.*

YOU CAN HELP

Reduce Fire and Casualty Losses by Recommending—

(1) **A FIRE ALARM BOX** — *at every fire hazard.**
(2) **BETTER "HOUSEKEEPING"** — *keeping the property free of rubbish.*
(3) **ADEQUATE POLICE PATROL** — *with recorded performance of police duty.*
(4) **SPRINKLER SYSTEMS AND AUTOMATIC FIRE DETECTION SYSTEMS**
(5) **TRAFFIC SIGNALS** — *at street intersections.*

* 70% of the losses occur as a result of only 4% of the total fires. If municipal fire alarm boxes had been on this 4% of the buildings involved then over 50% of your total fire losses might have been eliminated.

The Gamewell Company

Newton Upper Falls Massachusetts

N. Y. Savings & Loan Ass'ns Mtg. Lending And Savings

The 244 savings and loan associations in New York State showed a record-breaking increase in mortgage lending activities for the month of January, according to figures released on Jan. 20 by Zebulon V. Woodard, Executive Vice-President of the New York State League of Savings and Loan Associations. The advices state:

"Mortgage loans granted during January, 1945, totaled $5,787,684, which represents an increase of 71.8% or $2,418,590, over total mortgages recorded during January, 1944. This also represents an all-time high in lending activities for the month of January having surpassed the previous high mark set in January, 1942, when mortgage loans granted amounted to $4,920,484. Of the $5,787,684 loans recorded during January, 1945, $4,755,134 were for the purchase of homes and $641,532 for refinancing of previous mortgages. Construction, repair and other loans amounted to $391,018.

"Savings in the 244 associations increased during the month by a net figure of $8,455,137, equivalent to a rise of 1.6%, while the liquid resources of the associations in the form of cash and government bonds increased 0.5%."

According to figures submitted to the League, Mr. Woodard estimated that the total assets of the associations had reached $605,999,552 on Jan. 31.

Wm. Hanrahan V.-P. of Lafayette Nat'l Bank

William R. Hanrahan has been elected Vice-President of the Lafayette National Bank, Brooklyn, N. Y., according to announcement by George P. Kennedy, President. Mr. Hanrahan had been Assistant Vice-President specializing in commercial and war production loans.

Prior to joining the bank in 1939, he was an Assistant Vice-President of Central Hanover Bank & Trust Co.

Mr. Hanrahan was a Lieutenant (j. g.) in the U. S. Navy during the first World War. He is a member of the Brooklyn Bankers' Club; the Rudder Club; and the Kiwanis Club of Brooklyn. He is also a member of the Brooklyn Committee for Economic Development which is studying post-war planning with the Commercial Enterprisers in Brooklyn.

Wall Street Riding Club Competition

The Wall Street Riding Club held its fourth annual competition on Friday, February 16, 1945, at Aylward's Riding Academy on 67th Street here in New York City.

Miss Frances M. Weller, President of the club and associated with Harry Downs & Co., galloped off victoriously with three blues and the trophy. After nabbing the blues in the horsemanship and pairs class, Miss Weller reined in at the number one spot in the championship class. Runners-up in the usual order were as follows: Miss Emily M. Richards; Mr. Gerhard H. Struckmann of the Bank of Manhattan; Miss Virginia McGaffney of Carrere & Co., and Mrs. Gordon Goff.

Miss Louise M. Franco of Blyth & Co. trotted away with the blue in the novice class. She was followed by Miss Ruth E. Hamilton, Mrs. Gerhard H. Struckmann. and Miss McGaffney.

In the horsemanship class Miss Weller was trailed by Mr. Struckmann, Miss Richards and Mrs. Struckmann. Miss Weller and Miss Richards romped off with first place in the pairs class, with the red going to Mr. and Mrs. Struckmann, the yellow to Mr. and Mrs. Goff, and the white to Miss McGaffney and Miss Jean McCulloch.

Miss Weller, in charge of the arrangements, and Miss Richards, Chairman of the ride committee, prepared a night of fun for members and their friends.

Mr. George I. McKelvey, Jr., of Darby & Co., acted as judge.

WHAT INSURANCE HAS DONE TOWARD VICTORY

TODAY, every business and industry must be judged by a new standard—its contribution, direct or indirect, toward the winning of the *war.*

The men and resources of the fire insurance industry have been utilized to the full in the mobilization of our nation's might. A large proportion of the male employees are serving with the armed forces. Many others have been, and are, devoting a large part of their time and energies to unpaid civilian war activities. Further, a large proportion of the income of the industry is converted directly into War Bonds.

In all these ways, fire insurance has aided the general war effort of the United States. Added to this is the immeasurable and vastly important overall support rendered by the whole "industry which protects other industries" in its never-ceasing war on man's ancient, indefatigable enemy—fire.

Through the vigilance, skill and protective work of its inspection and engineering facilities, the fire insurance industry has not only helped prevent many disastrous fires—it has presented the country with the equivalent of hard-won production victories. Toward this end, we intensified our efforts in 1944. Yet, it is unfortunately true that in spite of all efforts, there was an increase in the number of fires in 1944, the result of the accelerated wartime production tempo. Consequently we plan to redouble our preventive activities in the critical year ahead . . . a contribution to the America our men are fighting for.

President

STATEMENT

December 31, 1944

ADMITTED ASSETS

Cash in Office, Banks and Trust Companies		$ 21,220,339.31
United States Government Bonds		34,764,718.31
All Other Bonds and Stocks		76,426,404.54
First Mortgage Loans		368,005.60
Real Estate		3,772,527.58
Agents' Balances, less than 90 days due		8,637,873.31
Reinsurance Recoverable on Paid Losses		1,697,960.88
Other Admitted Assets		157,610.37
Total Admitted Assets		$147,045,439.90

LIABILITIES

Reserve for Unearned Premiums		$ 56,900,611.00
Reserve for Losses		17,391,935.00
Reserve for Taxes		2,870,000.00
Reserve for Miscellaneous Accounts		913,950.86
Funds Held Under Reinsurance Treaties		58,461.60
Total Liabilities Except Capital		$ 78,134,958.46
Capital	**15,000,000.00**	
Surplus	**53,910,481.44**	
Surplus as Regards Policyholders		**68,910,481.44**
Total		$147,045,439.90

Note: Bonds carried at $3,645,555.62 amortized value and cash $50,000.00 in the above statement are deposited as required by law. All securities have been valued in accordance with the requirements of the National Association of Insurance Commissioners. On the basis of actual December 31st market values, total Admitted Assets would be increased to $148,631,517.64 and Surplus to Policyholders would be increased to $70,496,559.18. Surplus adjusted to reflect Canadian Assets and Liabilities on United States Dollar basis.

Directors

Lewis L. Clarke
Charles G. Meyer
William L. DeBost
Wilfred Kurth
Edwin A. Bayles
Gordon S. Rentschler
Robert Goelet
George McAneny
Guy Cary
Harold V. Smith
Harvey D. Gibson
Frederick B. Adams
Robert W. Dowling
George Gund
Harold H. Helm

☆ THE HOME ☆
Insurance Company
NEW YORK

FIRE • AUTOMOBILE • MARINE

THE HOME, THROUGH ITS AGENTS AND BROKERS, IS AMERICA'S LEADING INSURANCE PROTECTOR OF AMERICAN HOMES AND THE HOMES OF AMERICAN INDUSTRY

Future of Small Business Taxation

(Continued from first page)

I believe you will be more interested in the things that are done than in the words of ineffectual sympathy that are uttered in behalf of small business. As business men, you will be interested in concrete proposals rather than the cloud of pious generalities that so far envelops the subject.

The first step in getting down to the solid granite of fact is to find out, if we can, what we are talking about. Just what is small business? Is a business small or large according to the amount of capital invested in it, or according to the amount of money it earns, or according to the number of people it hires? Upon examination, all of these criteria prove fugitive. A million dollars may be a big investment in a hairpin manufacturing establishment, but chickenfeed for an automobile plant. The corner grocery may have two employees and the machine-tool factory 200.

Do we measure each separate corporate entity without regard to affiliation or ownership? Is a small subsidiary of United States Steel small business? Is a $100,000 corporation owned by John D. Rockefeller small business? Or do we look beyond corporate entity and rule out small corporations which really enjoy the advantages of big business position? The answer depends upon where you sit, and is not clear wherever you sit.

We do know, however, that small business is the backbone of the nation. We do know that its health and vigor are the real measure of our national prosperity. We do know that it is essential to the nation's future—not because it is small and necessarily therefore lovable—but because it has an indispensable role to play in our system of free enterprise. One recent estimate indicates that small concerns constitute a good third of our commerce and industry. There were 3,000,000 separate businesses in this country in 1944. About one-third of them, or 1,000,000, were operated by the owner alone. Two-thirds employed fewer than 100 workers. Less than 2%, or only 35,000, employed more than 100 workers, and only 3,300 firms employed more than 1,000. Without doubt small business is the seedbed of future economic growth.

Conflicting Statements on Small Business

The Senate Small Business Committee recently issued a report pointing out some of the problems which small business will face after the war. According to the committee, war-time mortality has been high, including the infant death rate. Under the pressures of the last four years one-sixth of all businesses have closed their doors. Thousands of little people have held on only by a thread. The committee maintains that the weight of the war-time tax structure has fallen relatively more heavily on new and small businesses than on long-established, large firms; so it has been harder for the small business man to lay aside the funds for reconversion which will give him a fighting chance for survival after the war. It emphasizes the problem of financing that faces small businesses. It says the basic need may be some form of full reconversion loan financing to reach not only small manufacturers, but small distributors as well, particularly those hard-hit by the war who are otherwise qualified to come back. It urges that private banking meet this need. About 10 days ago the New York "Herald Tribune" reported that the American Bankers Association is setting up pools which will provide at least $750,000,000 to aid small businesses requiring credit in the post-war period. The British, who sometimes move faster than we, have already come to grips with this problem. Last month the New York "Times" reported the organization of two private concerns to aid British industry. One of them was to finance large, and the other small, industry.

Despite these melancholy statistics, we need not rush to the conclusion that all of small business is in desperate straits. Evidence to the contrary is assembled in an article in the January, 1945, Federal Reserve "Bulletin" by F. C. Dirks, Director of Research and Statistics of the Federal Reserve Board. Mr. Dirks analyzes the financial statements of nearly 2,000 concerns for the years 1940 through 1943. Very small business may not be adequately represented, but the sample is broad enough to be significant, from the very largest companies down to those with assets of about $250,000. The general picture which emerges indicates that "in most manufacturing and trade lines the earnings experience of small- and medium-size businesses has been better during the war than that of the larger corporations. . . . The effect of Federal income and excess profits taxes, both before and during the war, has been less severe on the earnings of the smaller concerns than on the larger ones." Mr. Dirks presents a number of detailed tables in support of these broad tentative conclusions.

Tax Relief Proposals

Although some suggestions have been made to mitigate the plight of small business, it would be an exaggeration to call any of them specific. In the 1944 campaign President Roosevelt suggested accelerated depreciation on new plants and facilities to replace worn-out equipment. He said this would mean "more jobs for the worker, increased profits for the business man, and lower cost to the consumer." James F. Byrnes repeated this suggestion in his report on war mobilization last December and coupled with it a proposal that the specific corporate exemption of $10,000 be raised to $25,000. Raising the corporate exemption has also been urged by the National Small Business Men's Association. Other proposals include reduced tax rates, graduated corporate taxes, tax exemption during the early years for new businesses, deductions for plant expansion by new enterprises, tax aid to companies financing small business, and tax credits for increased employment and for equity investment in small business.

All of these proposals are easier than said than done. Most of them involve difficult differentiations and serious administrative problems. It is possible that the excess-profits tax may be modified or eliminated, but the reduction of other tax rates is beyond too far a horizon for anyone to see clearly.

The practice of taxing the Aluminum Company of America and the corner drug store in the same way would seem to require more explanation than has ever yet been offered. They are totally different tax subjects and would seem to deserve different treatment. In the days of the great controversy over the undistributed profits tax, Dr. Gerhard Colm, now of the Bureau of the Budget, suggested that a differentiation might be made between corporations on the basis of accessibility to national capital markets—either the stock market, insurance company financing, or other large-scale financing. A small proportion of the 500,000 American corporations enjoy these advantages. They might be subjected to the regular corporate tax. Other corporations could be given the option of reporting their profits on a partnership basis. They would exercise this option and avoid all corporate tax if most of their stock were owned by low and middle-bracket stockholders, but they would always have the right to pay regular corporate taxes and avoid the individual stockholder tax upon undistributed earnings to the extent that the accumulation of surplus was reasonable and necessary in the business. Thus in effect a distinction would be made on the two-fold basis of size and ownership, and one possible disadvantage of the undistributed profits tax—the handicap it imposes upon the accumulation of inside capital by small corporations—would be surmounted.

The small business man is prepared to meet the challenge of stiff competition, but not unfair competition. Some people propose that taxes should be used to protect little business against monopolies. But special treatment of corporations not engaged in monopolistic practices, as proposed in a bill introduced in the Senate a little more than a year ago, is a dubious panacea for small business ills. Federal policy is opposed to monopoly and such a differentiation might be basically in accord with that policy. But monopoly is an elusive concept. Size does not prove its existence, nor do interlocking directorships. It is almost impossible to devise any test that would be readily useful for tax purposes.

Moreover, a differential in favor of independent firms would have significant limitations. If it were based upon income, it would have little influence where business is carried on at a loss. This would make the differential a very blunt instrument in a large number of cases; in each of 11 years, 1930 through 1940, more than half of the corporations in the country reported deficits. The situation has improved since 1940, but many corporations are operating at a loss even today.

Nor would preferential tax treatment for independent firms afford any additional stimulus to competition in industries in which competitive conditions now prevail. A monopoly is not very likely to occur, for example in the women's and children's garment industry, which in 1935 was composed of more than 6,000 establishments, the eight largest of which accounted for only about 2.5% of the volume of total output. Incentive taxation in favor of independents would be a form of bounty in this industry which could have little or no influence over the business practices of business units within the industry.

I want to make it clear that in no sense do I hold a brief for monopolistic practices which sound the death knell of small business. I am only questioning the use of taxes to curb monopoly. One of the reasons which the Committee for Economic Development advances for repealing the excess-profits tax soon after the war is that the tax is too crude an instrument to recapture monopoly profits.

Sponsors Change in "Carry-Backs"

I have in the past sponsored two tax proposals which I believe would be particularly helpful to small business. One of them, which originated in the Treasury, was designed to speed up the operation of the carry-back provisions of the excess-profits tax in order to provide the necessary liquid funds to make reconversion and other similar post-war expenditures. There is no question that many of the little fellows in business will be in a poor cash position when their war contracts are cancelled. They will have piled up heavy tax liabilities and a large part of their working capital will be tied up in inventory and machinery. In many cases reconversion expenses will be heavy. A delay of one or two or three years in the payment of the carry-back refunds would mean that some small firms would have to shut up shop.

To rectify this weakness of the carry-back adjustment, we suggested to the Congressional tax committees in 1943 that business firms be permitted to file a tentative claim when they estimated that a loss would be incurred, or that income would fall below the excess-profits credit. On the basis of an estimate of income or loss for the year, the tax refund could then be quickly computed. We suggested that this estimated refund could be applied as an offset to tax installments owing for the rest of the year.

On the following March a regular tax return would present the actual income or deficit of the taxpayer with a precise computation of the actual tax refund., If the corporation had under-estimated its income and, therefore, postponed too much tax, it would be required to pay the deficiency. If it had erred on the conservative side and postponed too little tax, an additional refund within the shortest reasonable period, say, 60 or 90 days, would be made.

This adjustment would immediately free the cash or securities held to meet quarterly tax payments, and would substantially alleviate working-capital shortages in the reconversion period. It would grant no business anything to which it was not already entitled by law. It would merely provide a mechanism for expediting payments or refunds.

This suggestion was given scant attention at the time we made it and was allowed to die on the vine. Recently, however, it has been revived by business groups who have been advancing similar proposals. The National Small Business Men's Association, for example, is advocating that business be permitted to postpone for a year payment of all or part of its excess-profits tax. Such deferments could be made by any business in the excess-profits tax brackets in one year which anticipated that it would earn a credit in the succeeding year. The company taking advantage of the right to defer its payment would, at the end of the year of deferment, pay a penalty of 6% on the portion of the tax that remained due after it had taken advantage of any earned credit. Under this

THE SUN LIFE OF CANADA IS AN INSTITUTION OF PUBLIC SERVICE conducted in the interests of its policyholders. Such was the purpose of its founders in 1865, a purpose which has been proudly maintained through nearly eight decades of continuous development. And such will be the purpose that will guide the destiny of this Company in the generations yet to be.

In the past year, the new business secured by the Sun Life of Canada amounted to $220,323,142. The assurances in force increased by $139,107,959 and now total $3,312,525,426. The benefits paid during the year were $80,582,921, which brings the total amount paid since the founding of the Company to $1,710,446,363. The Company's activities during 1944 give ample evidence of its continued progress. The business and the assets of the Company have increased, and substantial additions have been made to surplus and other funds to further safeguard policyholders' interests.

* * *

Copy of the Annual Report for 1944
may be obtained from:

Sun Life of Canada, Transportation Building,
Washington 6, D.C.

plan a business could defer its excess-profits tax payment on its own choice without asking permission of the government.

More Liberal Loss Provisions

Since leaving the Treasury last March, I have also called attention to the necessity for more liberal loss provisions. The extent to which investors may use the limited loss provisions of existing law depends primarily upon the availability of other income. Obviously the positions of taxpayers differ widely in this respect. There are discriminations between large and small corporations; large corporations are more likely to have other available income against which to offset loss. The same thing is true of large-scale financial investors. The loss carry-back provisions give a greater certainty of loss offset to old corporations with past net income than to new corporations with no past net income. Inequities of this type bear down particularly on small business which has more fluctuating profits and is more apt to show losses than big business; furthermore, these inequities may increase economic concentration and tend to drive venture capital into the foxholes. An improved method of loss offset would be particularly helpful to small and new enterprises. Here improvement lies in the direction of averaging income over the years and in the extension of the carry-forward period for losses.

In the final analysis the small business man must select the road that leads him to the right destination. He will accomplish little by direct pressures which result in special favors or subsidies in his own behalf. He needs more than crumbs from the table. He wants to sit down to a good post-war meal. His prime interest—his enlightened self-interest—lies in a sound tax system for the nation as a whole rather than special tax concessions for himself. He does not exist in a vacuum. His business will flourish best in a favorable social and economic climate. It will flourish best under conditions which permit all business, big and small, to prosper as the people prosper.

What a Sound Tax System Can Do

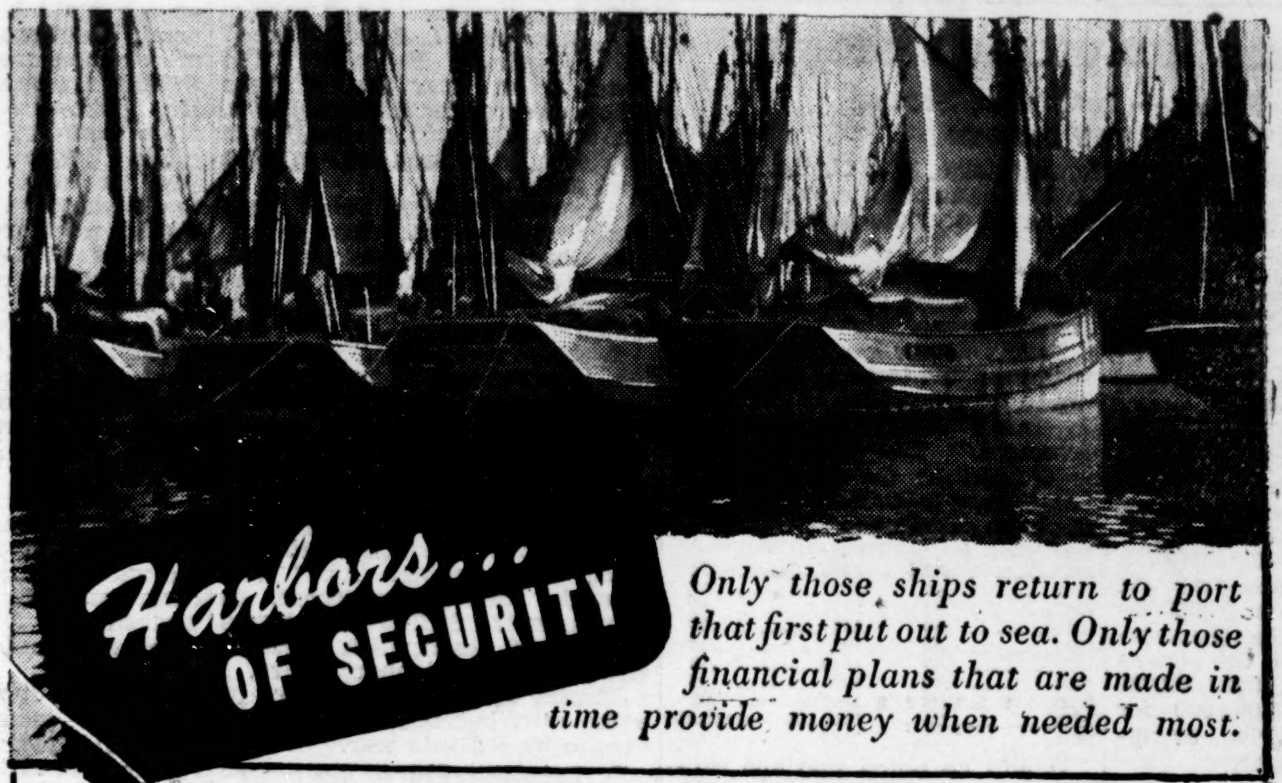
A sound tax system will materially help toward full employment and a high national income. The small business man needs the vision to see that maintaining high levels of production and employment in the United States will contribute to peace and prosperity throughout the world. He needs to see that world markets are the key to our economic future. He needs to see that depression here will foster depression abroad, and that prosperity here will foster prosperity abroad. These are hard facts, worthy of some hard thinking. They are of particular concern to the small business man because he is especially vulnerable to depressions. Slack employment means reduced purchasing power, and reduced purchasing power means a depression in which the small business man suffers most. He lacks the financial reserve to ride the storm. He loses customers first when purchasing power drops. The gigantic aggregate of machines and plant and capital that add up to big business is not in this precarious position. It may wait out a depression. True, its profits and its dividends may drop. But the odds are that it will be able to stay in the black without a trace of red, while the small business man finds himself in the red without a trace of black. Even if a big business loses money, its reserves reconcile it to temporary inactivity. It can keep the wolf at bay. For recovery will come; many of its small competitors will have perished by the wayside; and it will be ready to forge ahead.

I did not come here tonight to deliver a solemn lecture, but I should like to make a proposal. I should like to suggest that the small and middle-size business man adopt a new philosophy. Of course his own taxes are important. In many cases they will determine whether he will sink or swim. But often tax rates go merely to the question of how much profit a man has after taxes. The more basic question is whether he will have any profits at all. I propose that the small business man shift his sights from his own taxes to the other fellow's taxes, to the whole tax system, to a fresh analysis of what taxes will best promote a post-war economic climate in which he can prosper and grow. For that is the climate we need to foster the all-pervading and restless activity, the superabundant force and energy which are the components of the America we want when peace comes.

McDaniel Lewis Adds R. B. Dixon to Staff

GREENSBORO, N. C.—McDaniel Lewis & Co., Jefferson Building, announce that Robert B. Dixon has now become associated with the company as field representative in the Piedmont section of the state.

Mr. Dixon came to Greensboro in 1938 as manager of the Hooper-Holmes Bureau, Inc., for the state of North Carolina after having been manager in Charlotte, N. C., and Columbia, S. C. He is a native of Decatur, Ga., and was educated at Emory University in Atlanta and Atlanta Law School. He is now secretary of the Greensboro Civitan Club and his special territory in the new connection will be Greensboro and surrounding towns.



Only those ships return to port that first put out to sea. Only those financial plans that are made in time provide money when needed most.

SOME POINTS OF INTEREST
From our 93rd Annual Report as at December 31, 1944

On policyholder deaths due to war, 383 claims for $991,210 were paid during 1944. Causes of deaths, by numbers and benefits paid, were as follows:

Enemy Action	269	$647,420
Aviation (Patrol, Training, etc.)	78	$210,504
Other Service Accidents	23	$ 73,036
Merchant Marine, Field Service, Civilian Pilots on War Missions, etc.	13	$ 60,250

• • •

★Paid to Policyholders	$ 24,319,494
★Paid to Beneficiaries of deceased Policyholders	19,876,826
Total paid to Policyholders and Beneficiaries	$ 44,196,320
Average per working day	$ 145,383

• • •

★Premium income from new policyholders	$ 8,777,216
More than 12 times this amount was invested in government securities	
★Government bonds held at year end	$ 210,000,000
★Life Insurance in force, an all-time high	$2,197,894,211
Gain during year	$ 79,862,752

SUMMARY OF ANNUAL STATEMENT

	December 31, 1944
ASSETS	
Bonds, Mortgages and Other Assets	$911,134,625
Interest, due and accrued	8,298,302
Premiums, due and accrued	12,151,886
*Total Admitted Assets	$931,584,813
LIABILITIES	
Policyholders' Reserve	$687,729,244
Policyholders' Funds	182,381,423
Policy Claims in process of settlement	4,642,573
Dividends to Policyholders	9,602,352
Taxes	2,571,706
Miscellaneous Liabilities	1,152,118
Special Reserves	5,600,000
Total Liabilities and Special Reserves	$893,679,416
SURPLUS	37,905,397
Total Liabilities and Contingency Funds	$931,584,813

United States Registered Bonds included in the above statement are deposited as required by law; State of Massachusetts $250,000; State of Georgia $10,000.

*"Admitted Assets" are assets determined in accordance with rules established by the National Association of Insurance Commissioners.

A complete Annual Report will be sent on request.

Agencies in Key Cities

•

Massachusetts Mutual
LIFE INSURANCE COMPANY
Springfield, Massachusetts
Bertrand J. Perry, *Chairman of the Board*
Alexander T. Maclean, *President*

PRIMARY MARKETS IN
BANK and INSURANCE STOCKS

HUFF, GEYER & HECHT

New York 5
67 Wall Street
WHitehall 3-0782
NY 1-2875

Boston 9
10 Post Office Square
HUBbard 0650

Chicago 4
231 S. La Salle Street
FRanklin 7535
CG-105

PRIVATE WIRE SYSTEM CONNECTING: NEW YORK, BOSTON, CHICAGO, PHILADELPHIA, ST. LOUIS, LOS ANGELES, SAN FRANCISO, SEATTLE
TELEPHONES TO
HARTFORD, Enterprise 6011 PORTLAND, Enterprise 7008
PROVIDENCE, Enterprise 7008

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

Fire losses in the United States were high in 1944, the highest since 1932, and 11.4% higher than in 1943. As reported by the National Board of Fire Underwriters the record over the past 20 years is as follows:

Year	(000 omitted)	Year	(000 omitted)
1925	$373,501	1935	
1926	393,021	Lowest	$259,160
1927	320.596	1936	293,357
1928	301,268	1937	284,720
1929	422,215	1938	302,050
1930		1939	313,499
Highest	463,613	1940	306,470
1931	452,017	1941	322,357
1932	442,143	1942	314,849
1933	316,897	1943	380,235
1934	275,652	1944	423,538

Highest losses reported were $463,613,000 in 1930, and the lowest were $259,160,000 in 1935. Average annual losses over the 20 years approximate $348,058,000. It is of interest that the average annual losses of the second ten-year period were $320,002,000 compared with $376,092,000 for the first ten-year period, or approximately 15% lower.

The high losses of the 1930 depression years were presumably affected to a somewhat substantial degree by the so-called "moral hazard" which sometimes accompanies periods of low business activity, whereas the high losses of 1943 and 1944 are attributable to high volume production under the strain of war conditions. In 1930 the Federal Reserve Board Index of Industrial Production was 91 vs. fire losses of $463,000,000, while in 1944 it was 240 vs. fire losses of $423,000,000.

It is also of interest to compare the annual rate of fire losses with the net premium volume. In Best's "Insurance Reports" the total net premiums written by all stock fire insurance companies amounted to $909,550,000 in the year 1930 against $463,000,000 fire losses, and in 1943 (latest figures available), $1,043,835,000 against $380,000,000 fire losses. Meanwhile, the average rate of premiums dropped from $0.81 to around $0.60. It therefore is evident that, in relation to the value of risks written, the high fire losses of these war years are far less alarming than were the high losses of the depression years.

In this connection it is pertinent to present the trend in the "burning ratio" since 1925, as published in Best's 1944 "Aggregates & Averages." The "burning ratio" is defined as the "Per cent of Losses Paid to Risks Written," and has been as follows:

Year		Year	
1925	.53%	1935	.24%
1926	.49	1936	.27
1927	.44	1937	.25
1928	.43	1938	.27
1929	.41	1939	.28
1930	.49	1940	.28
1931	.48	1941	.26
1932	.48	1942	.23
1933	.34	1943	Not available
1934	.31	1944	Not available

It will be noted that the ratio jumped from .41% in 1929 to .49% in 1930 and .48% in 1931 and 1932, reflecting, perhaps, the impact of the "moral hazard." It thereafter declined to .24% in 1935, the year of lowest fire losses. In 1942, the last year for which these data are available, the ratio was at its low point of .23%, even though total fire losses had already begun to move up into the war-time highs.

Presumably high fire losses will persist so long as high war production is maintained, though it seems probable that, after the collapse of Germany and a partial let-up is experienced in the pressure for production of war materiel, fire losses may start to decline. Fortunately the fire insurance companies, so called, are not today as dependent upon one line, viz., fire, as they were a number of years ago. They have broadened and diversified their field in a most wholesome manner. Quoting again from Best's "Aggregates & Averages," the allocation of net premiums to the various lines of risk by all stock fire insurance companies has changed since 1920 as follows:

Year	Fire	Motor Vehicle	Ocean Marine	Inland Marine	Tornado & Hail	Extended Coverage	All Other
1920	77.0%	10.0%	5.5%	2.5%	4.0%	0.0%	1.0%
1941	48.4	26.2	10.8	5.8	3.1	3.4	2.3
1943	55.9	12.7	11.6	7.8	3.8	6.4	1.8

It seems certain that, after the war, the motor vehicle field will again resume its prominent position, as in 1941, and that the fire business will relatively decrease to a point below 50% of all premiums written.

The stocks of carefully chosen old-line fire insurance companies still constitute as fine a type of conservative long-term investment as can be found in the United States. The market appears to be shaking off its qualms and once more seems to be paying attention to the sound values offered, as the following data on market performance serve to incate:

	Dow Jones Ind. Average		Standard & Poors Index Fire Ins. Stocks	
12-31-1943	135.89		114.7	
12-31-1944	152.32		116.3	
Appreciation		12.1%		1.4%
12-31-1944	152.32		116.3	
2-21-1945	159.66		125.7	
Appreciation		4.8%		8.1%

It will be observed that fire insurance stocks appreciated only 1.4% during 1944, compared with 12.1% for the Dow Jones Industrials Average; but that thus far in 1945 the reverse is true, for fire stocks have moved up 8.1% compared with only 4.8% for the Dow Jones Industrials.

New York City Bank Stocks
Break Down Gov't Bond Portfolios
Possible Excess Profits Tax Liability for 1945
Circulars On Request
Laird, Bissell & Meeds
Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Department)

BRISTOL
BRASS
•
A. M. Kidder & Co.
Members New York Stock Exchange and other leading exchanges
1 WALL ST. NEW YORK 5
Telephone DIgby 4-2525

Economic Disarmament

(Continued from page 931)

Japan to the impoverishment and serfdom of the forgotten centuries. No country is now more than sixty hours from **here** by plane. The remotest country is "my neighbor." The Good Neighbor policy is the **sine qua non** of international amity and prosperity, no less than of community living. The Golden Rule is at once good religion and good economics.

Peace implies pacification, time and opportunity for economic and spiritual convalescence, time for reflection, repentence and reform. But, after peace? Another brood of war makers? Probably. if the peace is an "easy one, if those who make war for military power, for aggression and conquest, are not convinced that war-making **does not pay.**

A severe but just peace must include among other things:

1. Punishment for all war provokers and war criminals, but not vengeance and vassalage upon whole peoples.

2. Close and unremitting check by international experts upon heavy industry, strategic materials and devices to insure against preparation for future aggression.

3. Re-education, or re-indoctrination of the militaristic aggressor countries for a generation to eradicate the "master race" and "thought control" nonsense, to emphasize the futility and horrors of war and the benefits of peace and the "good neighbor" policy.

Disarm not only the power to make war, but also the willingness to be led into war.

4. Demonstration by the peace-loving peoples of the world that arbitration and cooperation is the best way, that peace is profitable while war brings only destruction and ruin.

5. Creation of an international "police" force, with chief dependence upon an international air patrol, patterned, perhaps, after our state and local patrols, or our Western forest fire patrols, vigilant and alert to report infractions of peace agreements or the earliest evidences of rearming.

6. Recoding of international law, based not upon the rubrics of war but upon the basic principles of peace, and (a step beyond the Dumbarton Oaks agreements) a World Court to adjudicate international disputes as to **facts** as well as law.

7. Removal of barriers to good will and good business through multilateral agreements affecting tariffs, trade restrictions, cartels, immigration, racial, language and religious differences, air fields and communications, and other obstructions to world accord and prosperity.

8. Continuous international conferences, such as those at Bretton Woods (finance), Dumbarton Oaks (political security), Rye (foreign trade), Chicago (aeronautics), etc.

America will emerge from this war, no matter when it ends, the most powerful, the most influential, nation in the world. As such it must take the lead in establishing and perpetuating peace—a grave responsibility challenging our wisest statesmanship, and calling for constructive action now before Europe is made over under "spheres" or "orbits" of political and economic influence and authority.

To be worthy of, and competent to assume, that leadership we must do some disarming here at home.

We must forget the political animosities, ill will, and personal grudges engendered by the recent campaign, accepting the will of the majority as expressed at the polls, and so demonstrate to ourselves and to the world that our democratic system has the strength and resiliency to carry on our normal political and economic functions while 11 millions of our men are under arms and fighting freedom's battles all over the globe—an achievement no other country, not even democratic Britain, dared attempt. And we must stop the running to Washington for favors and special privileges, and so regain some of the Jeffersonian simplicity and home rule responsibility in government.

We must disarm economic antagonisms between East and West, North and South; between country and city; between big business and small business; between "special interests" and the common good; between management and labor and between government and business. Especially, must we uproot the "cells" of red and pink ism-ites who by underground burrowing would weaken the foundations of our democracy and faith in our future.

We must disarm the last remnants of guerilla isolationism, pink and red groups, rabble rousers and agitators who are not satisfied with "all this and heaven too." Disarm the advocates of statism, state socialism, communism, collectivism, by demonstrating the superiority of free enterprise, open competition judicially regulated, individualism, fair dealing, and opportunity to get ahead. We cannot shut our eyes to the existence among us of small but persistent groups of men and women temporarily or permanently within our borders who insist that much more of our industry, especially the major key industries, must be taken over by the Government if for no better reason than that after peace comes the political, social, and economic chaos in Europe will necessitate there a great extension of state socialism, communism, or collectivism, and that to meet their competition we, perforce, will be compelled to adopt like controls and practices. To these preachments it need only be said here that while these systems may be desirable, even unavoidable, in some of the war-shattered, impoverished countries abroad, they are utterly alien to our time-tested democratic experience, our ways of thinking and living, and that here in this land of free enterprise and wide opportunity, we will have none of them.

Likewise, to those dismal souls at home and abroad who declare that our American economy has become "static," that from now on we can at best conserve what we have accumulated, and that like older civilizations we shall gradually drift into statism, we must demonstrate to ourselves and all the world that we have lost nothing of our virile pioneering spirit, our responsiveness to change without surrendering or weakening the basic principles of our economic democracy, that we are as productively powerful in peace as we have shown ourselves mighty in war, and that when peace and freedom returns throughout the earth this country will go steadily forward to ever-higher levels of production, of well-being, of pioneering in economic, social and moral achievement.

But while we in this country look forward to and plan for the gradual but purposeful unloosening of war-compelled control and direction of our economy and to the resumption of free enterprise and open competition as soon and as completely as feasible after V-Day, we must realistically face the probability of keen competition in both home and foreign markets from highly cartelized systems abroad. In many foreign countries, conspicuously in Germany since the depression of 1873, cartels have been encouraged, even made compulsory, both in domestic and foreign trade, and their influence has penetrated commerce throughout the trading world. Says a report to the Dumbarton conference:

> "Thus a defeated Germany emerged from the war with her imperialist-minded industrial hierarchy intact. While the people of Germany bore the burden of unemployment and depression Germany's industrial management secured loans from abroad which enabled them to consolidate into gigantic domestic and international monopolies . . . The number of cartelized industries increased. Existing cartels extended their areas of international control and at the same time they intensified and strengthened their grip on the German economy . . . Thus in the period following the war German industries were reorganized into closely-knit, highly-integrated combines whose productive and technological capacity constituted a menace to large producers in other countries . . . They launched a second conspiracy for world dominion. Using commercial relations, in particular the cartel system, as a weapon they rearmed their own country and disarmed their prospective victims."

We in this country have been

Royal Bank of Scotland
Incorporated by Royal Charter 1727
HEAD OFFICE—Edinburgh
Branches throughout Scotland
LONDON OFFICES:
3 Bishopsgate, E. C. 2
8 West Smithfield, E. C. 1
49 Charing Cross, S. W. 1
Burlington Gardens, W. 1
64 New Bond Street, W. 1
TOTAL ASSETS
£115,681,681
Associated Banks:
Williams Deacon's Bank, Ltd.
Glyn Mills & Co.

NATIONAL BANK of INDIA, LIMITED
Bankers to the Government in Kenya Colony and Uganda
Head Office: 26, Bishopsgate, London, E. C.
Branches in India, Burma, Ceylon, Kenya Colony and Aden and Zanzibar
Subscribed Capital £4,000,000
Paid-Up Capital £2,000,000
Reserve Fund £2,200,000
The Bank conducts every description of banking and exchange business
Trusteeships and Executorships also undertaken

and are opposed to cartels as "combinations in restraint of trade" and so antagonistic to our economic philosophy of open and unrestricted competition. As one speaker put it in addressing a recent meeting of the American Academy of Political and Social Science, "anti-trust laws are so tenaciously rooted in the American way of life that they appear to be practically unrepealable and almost unamendable," but he thought it possible that "Great Britain and other foreign countries might convince us . . . that in our larger political and economic interest in the international and foreign field we can approve . . . some modification of our anti-trust law policy of free and unrestricted competition without serious sacrifice to our economy." In another address before the Academy, Dr. Virgil Jordon, president of the National Industrial Conference Board of New York, said bluntly "cartel arrangements are the order of the day . . . and they are going to be the main form of organization of international commerce after the war."

How far apart we and other nationals are in this matter of cartels was reflected in the recent International Business Conference held at Rye, N. Y. The report of the Kilgore Senate Committee recommending the outlawing of international cartels was stoutly opposed by the Netherlands delegates who contended that "cartels are necessary for the expansion of business," while yet another delegation denounced "such agreements among private interests of several countries for the purpose of regulating industry and trade."

As a matter of fact hasn't this country leaned toward recognition of the cartel system in the recent sugar agreements with South American countries, and the wheat and cotton proposals for international pooling and distribution of surplus supplies of these and other countries—proposals and agreements made by the Government itself? And where is the line to be drawn between cartelization and competition for foreign business, between private and international cartels? If the root cause of modern wars is economic, and Germany "disarmed her victims" by far-reaching cartelization, as pointed out in the above quotation from the report of the Senate Military Affairs sub-committee at the Dumbarton Conference, is its suggestion that our "present patent laws could be revised so as to require that any discovery originated abroad be lincensed to any American producer who wishes to use it on a non-exclusive basis for payment of a reasonable royalty"—such payments to be registered with a designated federal agency—would such requirements, however desirable in any event, do more than nibble at the funamental issues involved in the cartel system?

Does the three-point plan of the National Foreign Trade Council to give our foreign business a separate status to participate in trade accords of similar cartel-like agreements which would "still respect the fundamental principles of free competition in our domestic trade" offer a defendable or workable solution of this problem? The Council's plan proposes—

> "recognition by Congress that foreign laws and conditions under which business is done must be considered in determining the reasonableness of restraints of trade as between domestic competitors. It must also be recognized that the nation's foreign economic policy is entitled to primary consideration in determining the reasonableness or unreasonableness of any restraint of trade which might result from such agreements."

Is this to be understood as an application to international trade agreements of our judicially-interpreted "rule of reason" applicable to our domestic trusts under the Clayton Act to soften the severities of our first vigorous anti-trust legislation of a half-century ago? And if so, who is to interpret or enforce the agreements—the over-loaded State Department, responsible for and committed to the Hull reciprocal trade agreements program, or the Department of Justice now prosecuting some domestic participants in international cartel agreements? The Council's memorandum continues "it is a safe conclusion that collaboration of government and the right of business to make international business agreements subject to revocable clearance will be needed."

What then is to be our answer to the nationalization and cartelization of industry and commerce in other countries? Against these rising monopolistic forces how can our system of individualism, free enterprise, and open competition survive and grow "mightier yet"? The answer is neither academic nor categorical. It is not enough to enunciate a set of principles, however idealistic or basic for ourselves and the world at large. Such principles must be related to the differences, needs, and complexities of living and trading conditions among scores of nations in varying stages of economic desolation or development. It is not enough for this country to announce that we are now the most powerful commercial nation in the world and that we proposed to adopt and pursue a policy of free trade, or protection, or reciprocal trade agreements, and say to the rest of the world "take it or leave it." We tried that brand of economic isolationism back in 1933, when, toward the close of the London Economic Conference, at which delegates from some sixty countries had substantially agreed upon a program to revitalize the depression-stalled economy of the whole world, the President of the United States annulled the good will and the prospective accord and cooperation of the rest of the world by withdrawing our delegates from the conference and announcing in effect that this country preferred to "go it alone," that we contemplated a recovery program of our own which must take precedence over international questions and policies. While the consequences of our withdrawal from the London Conference and the failure or success of the many-sided New Deal program to restore prosperity may be open to debate for political or academic purposes, the fact is that this isolationist policy brought disappointment at home and deep-seated resentment and distrust abroad.

This distrust has been dimmed somewhat by the magnificent contribution of the United States to the cause of freedom and democracy. Yet it has been present in several of the recent international conferences looking to postwar reconstruction. Can powerful, resourceful, prosperous America be depended upon to cooperate fully in the rebuilding of an insolvent, if not bankrupt, world struggling to regain economic stability? Will rich America emerging from the war as the leading creditor nation be willing to play the role of creditor, to her own advantage no less than that of necessitous borrowers? Will she, for example, be willing to continue lend-lease for some time after the war, and if so, to whom and for what purposes? Will she be willing to reduce her tariff barriers by extension of the Hull reciprocal trade agreements, and so permit less-favored countries to find here much-expanded and freer markets for the goods, services, and credit they so urgently need from us? Is she willing to expand the facilities of the Export-Import Bank so that it can begin promptly to finance foreign trade, pending the setting up of a World Bank? Will the all-powerful America, conscious of her economic prestige, attempt to dictate the terms of economic peace, and so increase rather than allay the uncertainty and distrust which in the absence of a clear-cut economic foreign policy lingers in the minds of many observers both at home and abroad? Even amid the thunder of the guns, these and many like questions press imperatively for answer—and, again, it may be later than we think. While we wait and the day of Victory is postponed, Europe is being partitioned into spheres of influence threatening economic and international unity and enduring peace. Through their Congress and President the American people must speak now.

Definite and promising progress has been made toward international accord at the recent conferences. Perhaps the most significant thing about them is that they have been held in the midst of a world-belting war, that representatives of most of the peace-ioving countries could have agreed upon a set of principles for postwar rehabilitation and accord, and that these principles have in considerable measure been implemented in concrete plans, specifications and blue prints. To be sure these conferences could only make recommendations, but the willingness of the conferees to reach agreements, to give and take, to forego some desirable but not essential prepossessions and advantages in order to reach an agreement on fundamentals, holds encouraging promise of adoption by their respective governments and of amity and continuous cooperation for the future.

Disagreements there were, of course, and some keen disappointments (especially the non-participation of Soviet Russia), just as there were disagreements and disappointments among our "Founding Fathers" when at the Constitutional Convention in Philadelphia, after numerous compromises and the yielding of each State of something of its cherished "sovereignty," they agreed upon a Federal Constitution, which was to give the country "a more perfect union"—a Union which has survived civil strife, striking differences and changes in political, social, and economic thinking, involvement in two world wars, to become the most influential, the most prosperous, the most envied, respected and feared nation in the world.

Is it too optimistic to hope and expect that out of these preliminary conferences and the international economic agenda they project, supported by flexible machinery for consummating and preserving peace, there will come "a more perfect union," through economic accord and cooperation among all the nations of the world? United We Stand, Divided We Fall—True yesterday, true today and tomorrow.

Diversify Your Investments

(Continued from first page)

may be immune from stock market sinking spells.

Merchandise Stocks: Visit the variety chain stores in your city. Pick out the two or three which you like the best. Ask your local banker which of these have their stock listed on the New York Stock Exchange. Buy the one which yields you the most annual income.

Fire Insurance Stocks: Look at your insurance policies and buy the stock of the company which has been doing business the longest number of years. I also like good casualty stocks. Both types combine ownership of a business and participation in a large list of good investments.

Bank Stocks: Buy either the stock of the local bank with which you deal or else buy the stock of the New York City bank which your local bank uses as a correspondent. Besides earning money on services rendered, most banks now earn on large Government bond holdings.

Building Stock: These should be good although they already are selling rather high due to the big building boom expected after the war. Choose one manufacturing building materials and one making house furnishings. I also like the cement stocks and certain of the steels.

Chemical Stocks: These also are selling pretty high now; but we are going into a chemical age and many miracles are ahead of us. For instance, **Dow Chemical** is making products from sea-water! Remember that while our agricultural soils are getting poorer every year, the ocean is constantly getting richer in chemicals and minerals.

Transportation Stocks: Probably everyone should own a little stock of some well established automobile company. Certainly, these should be safer to hold than most railroad stocks. I think nearly all railroads will suffer in the postwar period. Airplane transportation stocks are now fairly high.

Mining Stocks: This may not be the time to buy any mining stocks; but if so, one should buy the stock of a company which is also well established in the fabricating end.

Food Stocks: This group includes the baking companies, canning companies and other food processing companies. Personally, I would rather buy the stock of some good grocery chain than tie myself down to any one of the manufacturers. If, however, you want a strictly "food stock," I suppose one having both "necessity" and "luxury" foods would be my choice.

Please remember I give the above simply as illustrations—there are other good groups and ideas which I have not included. In this great country there are many good companies. **But whatever you buy—diversify!**

FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was concluded Feb. 19 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $26,620,000 0.85% consolidated debentures dated March 1, 1945, due Dec. 1, 1945. The issue was placed at par. Of the proceeds, $17,950,000 was used to retire a like amount of debentures due March 1, 1945, and $8,670,000 was for new money purposes. As of March 1, 1945, the total amount of debentures outstanding was $281,460,000.

ANNOUNCING the formation of

PACIFIC NORTHWEST COMPANY

as a merger of the investment business and personnel of

FERRIS & HARDGROVE
ESTABLISHED 1913

and

DRUMHELLER, EHRLICHMAN COMPANY
ESTABLISHED 1921

SEATTLE SPOKANE PORTLAND TACOMA
ABERDEEN YAKIMA EUGENE

CAPITAL AND SURPLUS IN EXCESS OF $600,000

Effective March 1, 1945

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Mutual Funds

Income Selection

"Even in normal times," writes **National Securities & Research Corp.**, in a current memorandum on **National Income Funds**, "the importance of careful investment selection cannot be overemphasized. . . . But today the steady pressure of financial forces is placing an even more than normally important premium upon investment selection designed to maintain income."

A long-term chart showing stock and bond yields from 1900 to date emphasizes the difficulty of maintaining income in security investments. The indicated current income rate on the five National Income Series is given as follows:

National Securities Series—	Indicated Rate
Bond Series	4.9%
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Preferred Stock Series	6.5
Stock Series	6.0
Income Series	6.3

Quoting the Authorities

A unique and effective piece of sales literature is the large display folder published by W. L. Morgan & Co. in behalf of Wellington Fund. Entitled, "What Independent Investment Authorities Think of Wellington Fund," the folder presents opinions and performance comparisons published by four independent authorities—Barron's, Arthur Wiesenberger & Co., Fitch Investors Service and American Institute for Economic Research. The excellent record of Wellington Fund is recognized by each of these sources.

Gold Stocks

With public attention again being focused on gold mining shares, Distributors Group has issued a revised edition of its folder on **Mining Shares of Group Securities, Inc.** This folder contains a chart which shows that the Dow-Jones Industrial Average has recovered to approximately its prewar level.

"But to reach their pre-war level, the gold stocks as a group would still have to advance nearly 40%!"

The folder then goes on to discuss in considerable detail "why gold stocks are good 'peace' investments."

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New Homes

"Millions of people want new homes . . . the materials will be made by the building supply industry," writes **Hugh W. Long & Co.** in a new and graphically illustrated brochure on the **Building Supply Industry Series** of **New York Stocks.**

The folder contains a chart giving authoritative estimates of the number of new home units to be built after the war, compared with construction in past years. This chart indicates that people best informed in the building industry expect a home-building boom unsurpassed in American history.

"If the post-war decade is to witness an all-time high in construction of new dwelling units, then it should also witness new highs in sales of building supplies."

Business After Germany's Defeat

"In appraising the effect upon business of the ending of the war in Europe," writes **Keystone Corp.** in the current issue of **Keynotes,** "there are three factors to be considered." These factors are listed as:

1. We still have a major war to fight in the Pacific.
2. Deferred demand for civilian goods is increasing enormously.
3. People will have the money to buy these products when they are available.

"In the light of these facts, it is difficult to visualize anything but a high level of business activity not only for the duration of the Pacific War but also for several years thereafter."

Two New Open-End Companies

Investors Syndicate recently filed incorporation articles in Nevada providing for the formation of two new open-end investment companies.

The first, a common stock fund, is to be known as **Investors Stock Fund, Inc.**, and the other, whose portfolio will be made up primarily of investment grade preferred stocks and bonds, is called **Investors Selective Fund, Inc.**

Bonds and ACES

Lord, Abbett has released new folders on **Union Bond Fund A** and **Union Bond Fund B.** They are entitled, "An Investment in Good Grade Bonds" and "A Diversified Investment in Bonds," respectively. Both folders are excellent in their presentation of these two funds, making available at a glance the basic facts which should be of greatest interest to bond investors.

A new booklet, entitled "Leverage—An Extra Factor for Your Investment," is equally effective in presenting the main feaetures of **Affiliated Fund.** The current "leverage" in this fund gives each $1,000 invested in ACES common stock the investment potential of $1,600.

13 Times in 34 Months

Making the obvious but still frequently overlooked point that "a security dealer must be paid for his services just the same as a grocer, a farmer or a steel-mill worker." **Selected Investment Co.** reports in the current issue of **Selections** that the "load" represented in the offering price of **Selected American Shares** has been "made up" 13 times in the last 34 months.

"There are many who believe that the period of rising markets has scarcely started, that with due allowance for periodic corrections one may anticipate rising prices for a considerable distance ahead. If that proves to be the case, the question of cost of acquisition will be of minor consequence."

Post-War Outlook

Broad Street Sales Corp.'s current **Letter** discusses the "powerful money pressure" and asks "where is the inflationary money?" Individual savings, the bulletin points out, have increased $120 billion since 1940, or a total of $3,260 per family. In the same period individual holdings of Government bonds have increased $45 billion, or $1,223 per family, representing a net increase in the liquid savings of individuals of $4,483 per family.

In a companion folder, the record of **Broad Street Investing Corp.** is given. This record covers a 15-year period and among other things reveals that the asset value of Broad Street increased 15.4% between Jan. 1, 1930 and Dec. 31, 1944, while in the same period the Dow-Jones Industrial Average showed a net decline of 38.7%. In addition, Broad Street paid regular quarterly dividends throughout this entire 15-year period for a total of $14.84 distributed from income as against a liquidating value of $31.16 per share at the end of the period.

Rails and Steels

Distributors Group continues to point out the undervaluation in the heavy industry stocks, particularly the rails and the steels. Last week's mailings included a **Railroad News** with a chart from "Railway Age," showing that railroad stocks are still lower in market value than in 1933, when gross was 33% and net 43% less than at present.

The mailing on **Steel Shares** included two up-to-date folders on this group and a **Steel News,** "What About Steel After the War?" quoting Alexander D. Noyes in the New York "Times." Mr. Noyes asks the question: What will be done with this increased capacity when the war demand is over?—and finds the answer in the sequel to the other European War.

"The United Steel Corporation alone increased its productive capacity 41⅜% in that war; yet the company's 5% common stock dividend remained for 10 years at the pre-war rate, with an occasional 'extra dividend' in the 'twenties."

Boston Fund

Net assets of **Boston Fund** increased more than $2,130,000 to $13,900,965 in the fiscal year ended Jan. 1, 1945.

Spree

Lord, Abbett, in the current issue of **Abstracts,** sounds a note of caution with respect to low-priced stocks which have advanced so spectacularly over the past two years. A way to buy securities selling for less than $10 per share and yet have your money invested in the best quality, higher-priced issues is to purchase mutual fund shares. The offering price of **American Business Shares,** for example, is around $4 per share, and yet the average price of portfolio issues is $35 for the common stocks and $86 for the preferreds and $90 for the bonds.

More About Trust Investments

The continuing, even accelerating, trend toward increasing the common stock portion of trust investments is discussed in the current memorandum on **Wellington Fund.** A table showing distribution of investments among college endowments of over $15,000,000 reveals that since 1929 the common stock portion of these funds has been increased on average from 9.9% of the total portfolio to over 31%.

Rubber Industry

Calvin Bullock, in the February issue of **Perspective,** presents a careful and detailed analysis of the rubber industry. The conclusion is highly optomistic with respect to the earnings and growth possibilities of the rubber companies after the war.

* * *

Mutual Fund Literature

Hugh W. Long & Co.—Revised Prospectus on **New York Stocks** dated Feb. 16, 1945; portfolio folder on all series of **New York Stocks** showing holdings as of Feb. 1, 1945. . . . **National Securities & Research Corp.**—Revised portfolio folders on **National Preferred Stock Series** and **National Income Series. . . . Selected Investments Co.**—A new bulletin on Investment Company shares for trust investment; current issue of "These Things Seemed Important." . . . **Hare's Ltd.**—Current issue of the memorandum "Current Considerations."

Dividend

Fundamental Investors, Inc.—Quarterly dividend No. 45 amounting to 22¢ a share, payable March 15, 1945, to holders of record March 1.

Stockholder Defined As Registered Owner

The State Supreme Court at Wilmington, Del., in a case involving a merger, has ruled that the registered owner, and not the beneficial owner of shares endorsed in blank, is the actual stockholder in a Delaware corporation, according to a special dispatch to the New York "Times" from that city. This decision reverses the decision of the Court of Chancery on an appeal by the Salt Dome Oil Corporation, the surviving company in a consolidation.

The dispatch further added:

The Salt Dome Oil Corporation had refused to appoint an appraiser for several thousand shares of stock on the ground that the complainants were not stockholders entitled to demand appraisement and payment. The complainants were beneficial owners of shares of both merging companies and had objected to the merger.

In his opinion Chief Justice Daniel J. Layton said that "the record owner may be but the nominal owner and, technically, a trustee for the holder of the certificate, but legally he is still a stockholder and may be treated as the owner by the corporation."

Corporation lawyers at Wilmington said that henceforth the term "stockholder" used in Delaware statutory law means the registered stockholder, unless otherwise specified, and that corporations do not have to recognize holders of certificates in "street name" as stockholders. They said the decision has far-reaching implications yet to be realized. One forecast was that the decision would be a deterrent to keeping stock in street names.

R. S. Richards Dead

Ralph S. Richards, senior partner of Kay, Richards & Co., Union Trust Building, Pittsburgh, Pa., and a former president of the Pittsburgh Stock Exchange, died of pneumonia after an illness of two weeks. Mr. Richards was sixty-three.

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The Directors of Fundamental Investors, Inc., have declared quarterly dividend No. 45 of 22 cents per share payable on the Corporation's capital stock March 15, 1945, to holders of record at the close of business on March 1, 1945.

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Bretton Woods Proposals Will Help Exports

(Continued from page 931)

abroad. That ratio can be maintained after the war only if currencies have reasonable stability and if exchange restrictions are removed.

Last Summer the best technical experts of 44 United Nations met at Bretton Woods, New Hampshire, to grapple with the problem of post-war money. They worked on the basis of a plan that had been evolved from preliminary discussions extending over two years. The result was agreement on a program which provides for a fund to stabilize currencies and an International Bank to help finance reconstruction and development.

The program is the first of a series of practical measures for putting the everyday business of the world back on its feet and headed for a sounder prosperity than it has ever known. It is a matter of peace and security for the world, as well as dollars and cents for every businessman and worker, every farmer and professional man in the United States. To the people of Detroit, it means a foreign market for as much as a million cars a year, and a goodly proportion of your machinery, metal products and chemicals.

It means that if the foreign branch of a Detroit plant makes money, the company can get its profits out in dollars instead of harmonicas.

Finally, it means that you can carry out your plans for your community, meet your responsibilities to those who look to you to lead them in transforming Detroit from the world's mightiest war production center into an even bigger producer for peace.

That adds up to a lot of meaning. Of course, the Bretton Woods program by itself will not bring you all these blessings. It was not meant to. It is the first step in a series that must be taken by governments and by industry and by labor to set the wheels of world trade moving fast and freely. No, Bretton Woods won't do the job alone. But without Bretton Woods, you will never get a chance to do the job at all.

The first proof of this is the relation of Bretton Woods to Detroit's future foreign trade. The Monetary Fund sets up standards which will prevent discrimination in foreign exchange practices and help member nations keep their currencies stable. Under such exchange policies, an American salesman can go to Belgium and sell a $1,000 car for 40,000 francs without worrying about cancellations because sudden depreciation has put the exchange value of that thousand dollars up to 60 or 80,000 francs and out of reach of most buyers.

Another advantage of the program is that it prevents blocked currencies and other discriminatory restrictions on where a man can buy and sell. Without it, the representative of a Detroit automobile company might line up a great many customers in, say, the Netherlands.

"But," they would tell him, "we can't get dollars under present exchange regulations. We can get francs and pounds but no dollars. We'd like American cars, but we'll have to take French or English."

This is no theoretical prediction. It has happened. In the decade before the war, exchange controls and bilateral agreements were aimed at this country and lost us our market. It was largely because of them that the sales of American cars and trucks went from 700,000 in 1929 to 85,000 in 1932, but came back only half-way five years later.

If you were an automobile manufacturer, this experience only proved how badly you needed a Bretton Woods program. The combination of engineering skill, well-paid workers and managerial organization enabled you to produce better cars cheaper than any other country. Therefore, in a world of monetary order and stability, you would have kept at least as much of the market as you had in 1929. But, although as many cars were made in the world in 1937 as in 1929, America's share went down from 85% to 76%.

The greater part of our loss was in those countries where rigid exchange controls discriminated against us. They not only failed to resume buying after recovery; they actually bought less than in the depression. All the other countries in the world bought more. Here are some examples:

Belgium bought $26,000,000 worth of American cars in 1929, dropped to $7,000,000 in 1932, and came back to $21,000,000 in 1937. Brazil's imports were $30,000,000 in 1929, $1,500,000 in 1932 and nearly $14,000,000 in 1937. Sales of American-made cars to England rose from the depression low of $3,000,000 to more than $12,000,000 in 1937. Germany, on the other hand, used exchange controls against us. Purchases of American cars amounted to $19,000,000 in 1929, dropped to $1,000,000 in 1932, and in 1937, instead of rising as the depression waned, dropped to $385,000.

What that meant to Detroit in jobs and profits is a matter of painful memory. The U. S. automobile industry at the peak of the boom employed 471,000 workers. There were only 257,000, many of them at part time, on the depleted payrolls of 1932, but 505,000 were working in 1937.

The 15 major producers showed a profit of more than a billion dollars in 1929. In 1932, they had a net deficit of $132,000,000, but five years later they were in the black to the tune of $768,000,000.

Can you now doubt that you needed a Bretton Woods in the twenties and thirties?

If you were the owner of a branch plant in Germany, you needed it even more. Because no matter how much money the branch made, Germany held it in blocked funds. Our proposed Monetary Fund prohibits blocking the profits of foreign investments.

The prosperity of the whole country depends just as much on foreign trade as does that of Detroit, although you Detroiters with your close ties to export and import businesses are probably more aware of the fact than most.

In peacetime, about 10% of our national production and about the same proportion of our jobs in industry and agriculture are created directly by foreign trade. A post-war economy of full production and full employment will require American exports of at least $10,000,000,000.

If the Congress of the United States passes the Bretton Woods legislation, world trade will be freed from restrictive exchange controls and depreciating exchange rates. In that event, the automobile industry can look forward to a steady export market of at least a million cars a year.

We can reach such a trade level only if both the producing and consuming powers of all countries are expanded, not merely restored to their old levels.

The International Bank for Reconstruction and Development provides a sound, conservative basis for extending foreign loans for productive purposes. The principal business of the bank will be to guarantee loans made by private investors when such a guarantee is needed to encourage worthwhile ventures. But the Bank will also protect the investor from lending too much and the borrower from borrowing too much.

It may seem strange that any one should object to this program. But some people do. Their whole argument boils down to the criticism that it might not work. These critics want the United States Government to go back to 43 other sovereign states and say that although all of our representatives agreed after mature deliberation that the plan is sound, a few interested people in this country think they know better.

They know quite well that it would be impossible to hold another conference because a minority of one country out of 44 thinks the plan might not work.

I wonder what sort of an audience I would be addressing in Detroit today if Ford and Winton and Olds had looked at the first gasoline buggies they built and turned back to bicycles, saying:

"It might not work."

They were not so faint-hearted nor so easily discouraged. They went back and made it work.

Let us have faith in America and Americans. I think we shall demonstrate again the capacity and the courage to solve the problems of a new day.

AIB Job Relations Institutes In March

Three institutes for instructors, who will teach the job relations program of the American Institute of Banking in their home chapters, have been planned definitely for the present month (March) and a fourth is tentatively scheduled, according to William C. Way, President of the A.I.B., who is also Trust Officer of the Central National Bank, Cleveland, Ohio. The American Institute of Banking is the educational section of the American Bankers Association. Robert C. Rutherford, assistant to the national secretary, will conduct the institutes for chapter instructors as follows:

Columbus, Ohio, February 26 to March 2, for chapters at Akron, Columbus, Dayton and Cincinnati, Ohio; Charleston, W. Va., and Fort Wayne, Ind.; Seattle, Wash., March 12 to 16, for chapters at Seattle and Tacoma, Wash., and Portland, Ore.; San Francisco, Cal., March 19 to 23, for chapters in that territory. Tentatively scheduled is another institute for Dallas, Texas, for April 2 to 6.

The institutes for job relations instructors will be limited to ten persons, in order that each of the chapter instructors may be given as much individual instruction and help as possible during the intensive 40-hour course. The job relations program of the American Institute of Banking is designed to stimulate qualities of leadership among bank people employed in supervisory positions, and to provide them with practical demonstrations of techniques they can use in successfully directing the activities of persons working in their own bank departments.

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Canadian Securities

By BRUCE WILLIAMS

Current reports tend to bear out previous intimations that Premier Stuart Garson of Manitoba is steadily forging to the forefront in the Federal political field. It is rumored that the Manitoba Liberal leader has been asked to represent his province in the Government, in succession to the Department of Mines and Resources Minister Crerar, and that it might be the intention of Premier Mackenzie King, now in his seventies, to groom Mr. Garson as his eventual successor to the leadership of the Liberal party.

Such a choice would be in no way remarkable when consideration is given to alternative selections. The Manitoba Premier has demonstrated recently by his forthright enunciation of policy on Dominion matters that he is a natural leader with a profound insight into matters of true national importance. His public chiding of Premier Drew, following the latter's condemnation of the Family Allowances Act, was a masterly exposition of practical economics. His strong advocacy of the necessity of the implementation of the salient recommendations of the Sirois Report evidences his grasp of fundamental Dominion issues. His clear condemnation of "pressure blocs" at the forthcoming Dominion Provincial Conference mark him as a statesman of the highest order.

Last, but not least, is his capable direction of the affairs of his own province. In face of the formidable difficulties which confronted the prairie provinces during the depression era of the early thirties, Manitoba alone stood firm, and the Garson Administration by sound financial practice and shrewdly planned diversification of the provincial economy has raised the status of Manitoba to the level of the leading provinces.

A curious sidelight on this achievement is the fact that the accepted credit rating of Manitoba in this country still places this province in the same category as Saskatchewan, when the per capita debt is now, excepting Prince Edward Island with no external debt, the second lowest in the Dominion, and the tremendous growth in industrial activity has taken Manitoba out of the ranks of the "prairie provinces." The inherent strength of the credit standing of Manitoba, however, is generally recognized in informed bond circles, **and it is only a question of time before the obligations of this province will be generally rated as equal in status to those of the comparable provinces of New Brunswick and Nova Scotia.**

Turning to the market for the past week, the all-important development was the announcement of the new Quebec registered issue of 5-year 2s. As expected, this served to set the pattern of the whole market especially in the short and medium-term maturity range. National 51s for example, appreciated sharply to

(Continued on page 957)

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Tomorrow's Markets Walter Whyte Says—

Rumors of increased speculative taxes bends market down just as it hits 160. Main trend still up but dip to 155-156 possible.

By WALTER WHYTE

If it isn't one thing it's another. For weeks the market has been fighting the old highs at approximately 160 in the Dow industrial. There were days when it looked like nothing short of dynamite could get it through the important obstacle. Having finally managed to hit it, market gave all indications of going straight through to the clouds. But, as I started to say, if it isn't one thing it's another. For, along came a new plan from on high.

* * *

This new plan involves bigger and better taxes. Not on corporations or individual incomes; on stock market profits.

* * *

The subject was brought up first by Marriner S. Eccles before a Senate committee. Henry S. Morgenthau, Jr., Treasury head, had the same idea and the fat was in the fire. Both gentlemen gave what they undoubtedly believe are excellent reasons for the additional bite. Both apparently agree that speculation is okay, but they say it encourages inflation. So ergo —let's tax speculation.

* * *

Whether or not the suggestions of Messrs. Eccles and Morgenthau will go further than the present talk is hard to say. Yet if what has come out of Washington in the recent past is any barometer then the chances are the talk will develop into more than rumor.

* * *

Now what will the market do in the face of a new tax on speculative profits? Well, the first effect you have already seen. The opinions alone were enough to make the market turn down. But

(Continued on page 957)

Guide Posts for Judging Stock Market Ahead

(Continued from page 930)

the spinning machine, the sewing machine and the cotton gin; the reaper; electricity; the telegraph and the telephone. Opportunities were abundant. Tremendous growth prospects were ahead. It should have been easy for the Astors, the Vanderbilts and the Rockefellers to build great fortunes.

In reality, during the tender part of this period in particular, strikes and labor demonstrations were often volcanic in character. There surged a torrent of revolutionary theories, largely brought from the Old World. Soap box orators tried to sell Utopian socialism. Radical beliefs kept the industrial sections of the country in constant unrest. Into this scene came a popular British thinker, Robert Owen, making Mr. Keynes a second. He had money and lectured and debated throughout the Nation, trying to convert youthful America to socialism. One of his debates that I have record of lasted 8 days. The newspapers gave him and similar thinkers the front page. On at least one occasion, Mr. Owen was invited to address a joint session of the Congress, attended by the President most of his Cabinet and the Justices of the Supreme Court. Communism was given a national hearing. Over 200 communistic and socialistic societies were organized.

I wager that those confused today would have been equally as confused during those days of golden opportunity. Looking back we see accomplishment and success. But when we place ourselves realistically into the past, we see a people working to overcome problems, proving soap box orators wrong, and exploiting the opportunities that were created. We should today look ahead with the courage of those who succeeded before, believing that the times may be no more uncertain, and that the relative opportunities may be as great.

Avoid Static Thinking

Static thinking must be eliminated if we want to reason profitably. This is a day when most civilian activities are frozen, stabilized, regulated and whatnot. This tends to breed static thinking toward the stock market. Probably the most unprofitable of the static concepts during recent years has been that the end of the European war will cause a decline in business, therefore, a decline in stock prices, and hence, the investor should be cautious. Actually, we have come to what appears the closing act of the European war with Government officials trying to talk down the stock market. I doubt if there has ever been a three-year period so filled with dynamic influences upon stock prices as we have seen since 1942.

Fear of War Eliminated

Early 1942 found the investor overwhelmed with fear. He feared the war. He feared that we might lose and that Germany, Italy and Japan might soon dominate the world. He feared some of the things the managers of our domestic economy might do under stress of the war emergency. Gradually the fear subsided. Fortunately the Congress exercised some restraint. The enemies were not strong enough to exploit fully their initial victories. It soon became apparent that we would not lose. Notwithstanding much fumbling and unnecessary disturbances to our economy, our armed might rapidly grew. By the Spring of 1943 the earlier fears had vanished and there developed confidence in the victorious outcome of the war. This was a complete cycle of investment thinking, as realistic a market influence as if business had varied from bad to good. It was reflected by a rise in the Dow Jones Industrial Average from below 100 to about 145.

Fear of Peace Eliminated

Battlefront successes caused a premature feeling during the summer of 1943 that victory in Europe might be close at hand. A new dominating fear quickly blighted the investor—fear of peace. Many, forgetting the intensity of concern during the early months of the war, feared that winning the peace might actually prove more difficult than winning the war. In those days of confusion and fear the Baruch-Hancock report was prepared. The spirit of this report inspired confidence in the ultimate ability to overcome future problems. Nevertheless these men had to conclude that "Our country's position today is such that if the war terminated suddenly most of the factories in this country would be shut and there would be unemployment of the worst kind." There was real substance to the fear. The Dow-Jones Industrial Average receded to about 130.

Again things began to change. This commendable report, dedicated to reestablishing a strong, vigorous "free enterprise" economy, was accepted as the Bible for Post-War Planning. Much of the defeatist philosophy of earlier Washington planners was discarded. Congress passed most of the necessary legislation, and agencies were reorganized or created to make preparations for the ultimate reconversion. As of Jan. 1, 1945, the Director of War Manpower and Reconversion submitted his first report. In this he stated: "I believe that all administrative actions which pave the way to orderly transitions from war to peace and which are feasible at this time have been taken. . . . We are in a position to move quickly. We are ready to put into effect the policies, procedures and plans that have already been formulated. . . . During the period of a one-front war, the drop in war production will be offset, after a brief interval, by the reestablishment of peacetime manufacturing."

I am sure we can safely assume that industry has made proportionate progress. The recent stepping up of armament production has put reconversion efforts more into the background but this has affected actual reconversion more than pre-reconversion planning. The fear of peace is giving away to reserved confidence.

Confidence Increases Prices

This is another cycle of investment thinking, again as realistic a market influence as if business had varied from bad to good. I think it is proper to reason that as the replacement of the fear of war with confidence in victory, and concurrent developments, lift the base of support for the Dow-Jones Industrial Average from about 100 to 130, the replacement of the fear of peace with confidence in the future, and concurrent developments, lift the range of support to somewhere between 150-160. These two cycles of investment thinking are the primary causes of the three year advance in the stock market. Other influences have been of definitely secondary importance, and sound thinkers in New York, Philadelphia, and Washington should understand it.

Current Prices Supported by Earnings and Dividends

There are other grounds for accepting this support range. Earnings and dividends for industry generally are frozen under current circumstances. In terms of the Dow-Jones Industrial Average, earnings are running at about $10 per share and dividends at about $6.50 per share. But, while the level of earnings and dividends is static, it should be recognized that the influence of earnings and dividends upon the market is dynamic. If the market is abnormally low against the current level of earnings and dividends, the very maintenance of that level of earnings and dividends will exert an upside pull. This can be as real as if earnings and dividends were actually in an uptrend.

It is my opinion that the current level of earnings and dividends, the level likely to prevail during the one-war stage, and the minimum probable post-war level after a transitory readjustment, conservatively support the market up to recent prices. If downside influences come into dominance their effect upon prices will be moderated and within a reasonable time offset by the upward pull of earnings and dividends created when stock prices are below present levels.

Market Prospects Improved

The stock market was in a period of readjustment from July into September last year. The market was thoroughly tested during this period against a prospect of early victory in Europe. If you remember, victory was almost taken for granted and not only by the meagerly informed investor. The downward reaction was completed at moderately below 145 Dow-Jones. There is tangible evidence indicating that the level of support has risen since then.

On Sept. 11, Douglas Aircraft announced the signing of an order for the post-war delivery of planes with a value of about $50 million. It was also made known at that time that substantial additional orders were on the books and in the offing. On Oct. 3, and again on Oct. 28, other substantial orders were announced. This dramatically altered the attitude toward the airframe stocks. The fear that there would be overpowering difficulties when the large war contracts were cancelled and that the stocks were of doubtful value, notwithstanding their growing financial strength, was displaced by a prospect of peace business that would provide satisfactory earnings. It is obvious that the position of this industry has improved in the investor's eye and that these stocks will not react to the levels prevailing shortly before the flow of peacetime orders.

During the market readjustment culminated in September, steel stocks were under considerable pressure. It was known that wages would soon be increased. There was no evidence that these companies would be granted any price adjustments. Just before Christmas it was made known that the O.P.A. would soon announce an adjustment in prices. The adjustments granted were moderate and were made after a cost analysis that gave no recognition to the increased labor cost from the latest wage increases. This justified the expectation that there ultimately would be further price adjustments. As a result, the investor's attitude toward the steel stocks improved. It was a tangible development of consequence in the market and it suggests that steel stocks are unlikely to decline to the level they were in September.

The copper stocks were under pressure during the downward readjustment from July into September last year in a large part because of fears over the inventories that would be on hand at the war's end. Subsequently, the "Surplus Property Act" became law. The stocks had been driven down to conservative prices under unfavorable conditions and responded favorably to this development. This was a change of consequence in the market. It is unlikely that the same degree of fear regarding the post-war outlook for the copper stocks will again develop.

This same trend toward support at higher prices in these industries has been true with stocks in general. To consider but one approach: During last year's market readjustment there was general discussion about the cut-back in war production following V-E Day. It was reported that plans were being made to cut back at least 40%, and some informed and influential individuals talked in terms of a possible cut-back of 70%. Such a sharp and substantial cut-back suggested difficult problems. Subsequently, the whole outlook has been reappraised. It is generally expected now that following the end of the European war the cutbacks will be much less. This supports an expectation that the decline in business following V-E Day will be less than thought likely a few months ago and that we will continue in a war boom. (In fact, a sober analysis even on the basis of such substantial cutbacks as talked about last September would lead one to believe that business would continue at an active level.

Therefore, on the basis of this approach alone, I would now accept the level of support to be above the level of last Fall, and probably up to at least the lower part of the 150-160 range that has prevailed since mid-December.

Higher Prices Possible

This leads logically to a consideration of where this phase of the major uptrend market is going. If replacing the fear of peace with confidence means as much to the stock market as the elimination of the fear of the outcome of the war, the market could approach 175 Dow-Jones. By itself this is not a very dependable observation. However, it has more substance than at first appears. While these two investment cycles have controlled the profile of the market, there have been at work a melody of lesser important influences which have worked toward higher prices. These include the growing backlog of deferred demand, the development of new and better postwar products which alone justify an anxious desire for peace, the building up of corporate and individual spendable funds, pressure within the markets of funds seeking investment, and many other factors generally talked about.

A statistical appraisal of earnings and dividends gives us a guide as to the level to which the stock market might reasonably appreciate. Before using the reported figures we must make adjustments or else they will be deceptive. Some companies have war inflated earnings, and to that extent the rate of capitalization should be lowered. Bethlehem Steel and United Aircraft would be earning less and paying smaller dividends were it not for the war stimulus. On the other hand, American Can and American Tobacco would be doing better under normal conditions. Checking each of the companies in the Dow-Jones Industrial Average, I believe that adjusted average earnings of $9.50 and dividends of $6.25 is reasonable.

The times earnings ratio that can be used for valuating the market is influenced not only by the general outlook but also by the actual level of earnings and the prevailing rate of return on capital. Following 1929 and through 1934 the market sold at high times earnings ratios largely because of low earnings. During 1935, earnings on the Dow-Jones Industrial Average were $6.95 and the market at its high for the year sold at 21 times these earnings. It would be deceptive to use this ratio, however. Earnings were in an uptrend during the year and as the high price for the year was made in November, the prevailing rate of earnings at that time was above the level reported for the year. A times earnings ratio of 17 would be more realistic. Another way of checking this figure is to compare the average price for the year with the year's earnings. This also gives a ratio of about 17. The actual high times earnings ratio for 1936 was 19. If we make the same adjustment as we did for 1935 we arrive at a typical figure of 16. 1937 and 1938 were such abnormal years that they cannot be studied for this purpose, and subsequent years have been influenced by war conditions.

Allowing for the added uncertainties due to the war economy, and war-end problems, I believe it would be unreasonable to use a lower figure than 15 times earnings, before allowance for the lower rate of return on capital. The market did not sell this low in relationship to current earnings, except for a few weeks during the decline in 1937, from the inception of the New Deal guinea pig days until the threat of war in 1939. The yield on investment grade bonds was about 30% higher during the years 1935 and 1936 than it is today. The change in bond yields and the general monetary background should be allowed for, in my judgment, by increasing this times earnings ratio by 20% or to 18. Applying this ratio to the adjusted earnings of $9.50 suggests a reasonable upside level with current earnings of about 170 Dow-Jones.

During 1935 stocks at their high for the year yielded 15% more than investment grade bonds. The figure for 1936 was plus 25%. During 1937 and prior to the beginning of the bear market the maximum yield on stocks was 35% in excess of the yield on investment grade bonds. Stock yields were inflated moderately during these two years because of the undistributed profits tax. It is my opinion that a condition of confidence could justify stocks selling to yield one-third in excess of bond yields. This would mean stock yields of about 3½%. Valuating the adjusted dividend of $6.25 on this basis suggests a reasonable range of 175 to 180 Dow-Jones.

I believe that on the basis of these statistical figures we can make the following conclusions about the appreciation possibilities of the stock market. The Dow-Jones Industrial Average could appreciate to a range of 170 to 180 and only reflect a full restoration of confidence in the current level of earnings and dividends. The stock market could appreciate to this range before the frozen level of earnings and dividends would exert a downward pull on prices. This is a range to which the market could go before there was danger it had gone to an extreme in relation to current conditions, or was "inflated" or selling on hopes of better times ahead.

New Credit Era

In formulating investment policy appropriate to these dynamic times, we must give proper weight to the underlying philosophy of official post-war planning. The foreigner's dream of America as a wonderful garden with magnificent trees bearing golden apples, is to come true, if the plans work. We are told that any policy of deflating the war-inflated boom is "dead, buried and damned." Our motto is full employment and maximum utilization of our productive resources. Significantly, it is the Government's monetary leaders who are among the new wise men. They seem to believe that they have discovered the fountain of everlasting prosperity, and we are to glide into a new era on credit.

In the latest issue of the F. R. B. Bulletin, E. A. Goldenweiser, Chief economic adviser to the Board, proposes a post-war government guarantee of a job for every person able and willing to work, as well as a guaranteed minimum living standard. This would assure consumer purchasing power and good business. Obtaining the necessary funds would be simple. The Treasury Department would pay by check any amounts needed. Of course, the Treasury Department has no money, but the funds can easily be borrowed from the banks who would "create" the money. It is as easy as that. All the Treasury Department does is print bonds. These are delivered to the banks, their assets are increased by like amount and they pay for them in deposits. This gives the Treasury Department the bank accounts to draw checks against.

Our Secretary of Treasury, Mr. Morgenthau, who should be the number one expert on our ability to do this, since he has borrowed more money for Uncle Sam than all the previous Secretaries of the Treasury combined, is most strongly in favor of this policy. He says we can have our economic cake and eat it too. In a recent report to Congress, Mr. Morgenthau said that there is "no question of the ability of this country to service the large public debt." The payment of interest is a "transfer operatioin by which the amount of interest is collected from taxpayers and paid to the holders of the debt, who are also numbered among the taxpayers."

Consistent with this New Era thinking is the new concept of economic stability. Mr. Morgenthau says that "continued low interest rates will be a major contribution to economic stability and the maintenance of full employment after the war, for low interest rates stimulate business and encourage new enterprise." Economic stability is to be achieved by eliminating the phases of contraction and adjustment and making permanent the credit stimulus. The lessons of the 1920's have been forgotten, and plans are being made to outdo on a staggering scale the fatal mistake of that period.

A Modern Tower of Babel

It all reminds me of the story of the Tower of Babel told in the Old Testament. Their leaders sold the people a fantastic plan for success. All they would need to do is build a tower up to heaven, and then the people could walk into the very parlor of the Lord. Sinners and Saints alike could walk into eternal paradise. No longer would all have to pay the price of being good to achieve that reward. As you remember, they worked on the Tower. It brought upon them the wrath of the Lord, and He confounded them. If we pursue to a conclusion this new philosophy for eternally good business, as fickle and unrealistic as this plan of long ago, the ultimate wrath of economic readjustment will leave us dumbfounded. However, as practical investors, we must correctly appraise the effects of the building and the subsequent destruction of this dangerous Tower of Credit.

Federal Reserve Board's Tactics

The building phase that we are in will see many befuddling experiences. Just now military tactics are being used to confuse the public. Friday, Feb. 2, the Federal Reserve Board raised the margin requirements for purchasing stocks from 40% to 50%. Its purpose was difficult to understand at that time. However, it soon appeared that this was a smoke-screen to cover the bringing forward of heavy inflation artillery. A few days later legislation was proposed to raise the public debt limit from $260 billion to $300 billion, about 7 times the prewar level.

On Wednesday, Feb. 21, the Senate Banking and Currency Committee held a hearing on proposed legislation to reduce the gold reserve requirements for Federal Reserve notes and deposits to 25%. This should be enough for all foreseeable contingencies, as it would permit an approximate doubling of the currency supply and bank deposits. Again a smoke-screen was quickly enacted and it diverted attention. Mr. Eccles at the hearing proposed heavy taxes on capital gains and this attracted more attention than the primary business of the Committee.

Inflation Not Measured by Price Rise

One of the most dangerous concepts told the public is that the degree of inflation can be measured by the rise in prices. Unfortunately this concept is accepted in many circles that should know better. It leads to all manner of absurd proposals and official acts. According to this philosophy, pouring gasoline over a house is not dangerous unless someone lights a match. The Spring Floods down the Mississippi need cause no concern until water starts pouring over the levees. Similarly, debts are no concern because they don't come due until tomorrow. Undermining the value of the dollar is not inflationary so long as prices are held in bounds. This permits the execution of the causes of inflation because nothing is wrong until the unavoidable effects plight the public. This cycle has been dramatized with respect to farm values. After pursuing policies resulting in a doubling of prices for agricultural produce, and then passing laws guaranteeing the maintenace of high prices for two years after the end of war, it is discovered that returning servicemen may have to pay inflated prices for their farms to be bought under "G.I." credit.

Pegging Stock Prices Would Be Dangerous

To attempt pegging stock prices as a means of avoiding inflation could be a mortally dangerous act. It would be somewhat like attempting to alleviate the effects of the recent severe winter weather by sending the snow and ice clearing crews home and adjusting the thermometer so that the weather couldn't register below freezing. The stock market is a gauge of our economic temperature, like a thermometer. But it is also a regulator helping to steady our economy just as the crews get the trains through. Surely the American public has a right to demand of the "doctors" that they leave at least one gauge that will record their success or failure in administering to the needs of our economic body!

Summary and Conclusion

1. Please don't take too seriously the specific figures that I have used. As practical investors, we know that any statistical approach is only useful as a rough guide. A proper appraisal of current and impending developments is essential to avoid serious mistakes. However, I believe on the basis of both statistics and general reasoning that:

(a) The restoration of confidence in our ability to win the war and the peace fully justify the rise that has taken place in stock prices, in general, since early 1942.

(b) Current stock prices, in general, are soundly supported by reported earnings and dividends, and minimum probable earnings and dividends in the period ahead.

(c) There is room for a worth while additional advance in stock prices before they reach excessive levels, or before the frozen level of earnings and dividends pulls downward. In the meantime, the available yield is relatively attractive.

(d) Government officials are right when they refer to inflationary dangers. Never before have the funds available for investment remotely approached the astronomical totals of today. More dangerous still, liquid spendable savings of individuals are increasing each three months more than the total rise in brokers' loans during the three years culminating in the 1929 stock-market-credit-boom.

However, so long as we officially pursue the policy of building the Tower of Credit that is supposed to lead into the New Era of permanent prosperity, and until stock prices become excessive, efforts to talk prices down will be little, if any, more successful than were the efforts a little over a decade ago to talk prices up when the economy was breaking down.

(e) The background can be relied upon to occasionally carry the market to extremes. It can anticipate too far ahead, and become over-bought. The time is approaching when we should watch for these intermediate situations and act accordingly with the prospect for profit. In doing this we as a professional group in the money center of the world may do more to maintain a sound, reasonable stock market than can the "orders" of Government agencies.

(f) As the market advances to new highs, we should not forget that other periods of uncertainty will materialize. After all, Henry Morgenthau, whose radical tax proposals probably did more than any one thing to precipitate the final decline in 1942, is still the Secretary of Treasury. Henry Wallace may soon be the Secretary of Commerce. Labor will soon be struggling to maintain large weekly take-homes. Apparently stock prices have approached the "blasting" zone, and later on restrictive measures may be taken to which the investor will have to adjust. It may be true that fundamentally the politician is only the shadow of the substance, but it is also true that the groundhog is not the only creature sometimes frightened by the shadow.

Finally, as we approach the period when war business subsides and peacetime business is restored, we must carefully judge the varied prospects for different companies. Many companies will be aided materially and their stocks should do better than the average. Conversely, there are many companies that are prosperous now but which are marginal high-cost producers. They will again report poor earnings, under peacetime competition and their shares should be appraised carefully in order to avoid losses.

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The Securities Salesman's Corner

By JOHN DUTTON

Old Rockin' Chair Got You?

It now looks like the sort of times are here again, when the chair in the office is beginning to feel more comfortable. Business is good. Customers are in a happier frame of mind. Many of them have some substantial paper profits. It is once more a simple matter to dig up a trade or sell out something that shows a customer a profit and suggest a reinvestment. Old customers are calling again and new customers are being recommended.

All this is nothing new to most of us. Yet, one thing of which we are well aware, is that good times **come** and good times **go.** The securities business is a business of extremes: of peaks and valleys. When markets are dull, when the public is not in an investing mood, when there are real bargains around, selling securities is not the easy job that it is today.

All this leads up to one conclusion. Probably more than any other class of people, salesmen need to master themselves. You have to run your own business—be your own self starter—fight off inertia. Most people are naturally lazy—when times are good, it's the easiest thing in the world to follow the lines of least resistance and WARM THAT CHAIR.

This wouldn't do any harm, if it were only possible to control laziness. But laziness becomes a habit just as work can also become habitual. Sometimes it's good to take a letup and a rest. A well timed vacation can accomplish the same sort of benefits that a trained athlete will bring about in his physical condition, when he finds out that he has overtrained, has become stale and takes a rest. This is something entirely different than coming into the office in the morning, looking through the mail, making a few telephone calls, chatting with the boys, putting through a trade or two, taking a leisurely lunch and calling it a day. That sort of routine can quickly develop into a rut that kills initiative and "selling drive."

Now one of the least difficult things to do, is to write a column like this and tell other people what they shouldn't do. One thing we don't like in a column, or in a sales organization, is preaching or moralizing. After all, we are all human—and salesmen are just about the most human people that there are in this world. In fact, more of us know our own faults—most of us know where and when we need a little "bolstering up" once in a while. But when it comes to letting up on hard work when times get a little better—THAT SEEMS TO BE SOMETHING THAT NEARLY EVERYONE IN THE SECURITIES BUSINESS HAS TO GUARD AGAINST DOING. There is a valid reason why this is so. After the past several years of trying and difficult times it is only natural to "let up" a bit.

It isn't only bad business to get into lazy personal habits—it's missing a bet for tomorrow. None of us live for today. Hard times come again—sooner or later. NEW ACCOUNTS PUT ON THE BOOKS TODAY, CAN HELP MAKE THINGS EASIER WHEN BUSINESS WILL NOT BE SO GOOD SOME DAY IN THE FUTURE. Now is the time to see new people—get out of office—keep your tool kit of sales ability in good condition by using it, and by working GET MORE PLEASURE OUT OF YOUR JOB.

Some Elements of Post-War American Life

(Continued from page 932)

of the elements that will loom large in post-war America, elements the revolutionists of other countries have used to subjugate their peoples. I shall touch upon some of these elements.

The "Dole"

We may first name the obvious "dole" complex,—the complex that believes that the Government can and should support the body politic. This, plus planned hunger and want, to give apparent justification for the "dole," have been major factors with the revolutionists of other countries. Any clean-visioned person can see that if the Government is to take care of all the people, it must own all the people own in order to do it. There must be no private property; no one must own anything. As one Utah communist expressed it, when urged to put in a winter's supply of food: "Why should I? Jim Jones, my neighbor, has plenty, and if I run out, I will just go and help myself to his. I don't intend to suffer as long as anyone else has anything." This feeling will last the war out and be with us in the post-war era.

Who Are "Dolers"?

But we should understand that this post-war "dole" complex will affect more than the ne'er-do-wells; they are not the only "dolers." Every farmer, every industrialist, every merchant, every person in any walk of life who takes a gratuity from the Governmen for not producing, or for not working, or for anything unearned, is just as culpable, in morals and in sound Government finance and in our economic national life, is just as much a "doler" as is the man who takes his dole of $30 or $50 or $60 per month to pay his heat, light, rent and grocery bills. There is no difference in principle between them. I am told you sheep men do not belong in this class. I honestly and sincerely congratulate you. In this you are true Americans. You will not, on this score at least, be part of our post-war problem.

Capital and Labor

Another factor that will be present in our post-war life is an intense hostility between capital and labor, with alien revolutionary labor leaders planning and attempting to destroy free American labor. No one will deny that in the past capital has been grasping, oppressive, unreasoning and unreasonable, but this does not make wise a retaliation in kind by labor now, to the destruction of our economic life. Personally, I am a firm believer in American unions, operated under our free institutions and constitutional guarantees; I think unions have a proper, and at times necessary, function in putting capital and labor on an equal footing. But no real American can approve and support the labor racketeer, sabotage, force and intimidation, the closed shop, and like un-American abuses of true American unionism.

Plans of Revolutionists

It is clear that alien revolutionary leaders now plan so to organize labor that they can take over and operate industry when the exorbitant tribute they lay upon industry no longer permits of its private operation. Then these foreign-born and trained alien revolutionary leaders are to step in and furnish the management. As to the methods they may employ, we should keep in mind the recent seizure of a great merchandising operation, not by legal process properly issuing from a court after an impartial hearing and served and enforced by a sheriff or other proper peace officer, but by a ukase from a Government bureau which made the law, judged the law, and then used the United States Army to enforce the decision. If this can be done to a merchandising institution, it can be done to every industry and to every other vocational activity in the nation, including the sheep business. This seems more or less to follow the pattern set in other countries by these communistic revolutionists.

Strikes

There are those who believe that today some strikes are fomented and called, and some industrial tie-ups are brought about under the tutelage and direction of these alien revolutionists, for the very purpose of forcing the governmental taking over of plants to keep them going, it being the thought of the revolutionists that plants so taken over will not be turned back to private ownership. There will be post-war strikes with similar motives.

American Labor

It must be that American-born and reared labor do not now fully see where all this leads, for if they did they would halt the conspiracy in its tracks. It seems clear that this whole labor problem, even in a more acute form, will be in the post-war era, then aggravated (as there is reason to believe) by the anger and resentment of the returning soldiers who are said to believe that labor has "let them down" by slowing up the production of war stocks, and by strikes, in order to get higher and higher wages, while the soldiers themselves underwent all the hardships of the field and imperiled their very lives, many dying, and all for a mere pittance in comparison with the compensation paid to labor.

Manpower

In post-war America we shall be faced with a lack of manpower for anything like a full national economic operation. Of course, a great depression, which seems sure to come, will for the time give us idle hands and soup kitchens, with long lines of hungry folks waiting their turn for a bowl of soup, the Government then probably being too poor to pay for anything else, if even for that. But we shall need more able-bodied men than we shall have when we begin to turn the wheels of industry for a normal production, to say nothing of progressive development. In this period of depression we may expect those revolutionists to go about telling to the willing ears of the hungry how their plan will cure and end the troubles, and to prove their case they will point to these present lush times, when these poor folks had "good times" and plenty of money. They will fail to point out that the very things they laud and promise to restore—these present "good times" and this present period of financial riot, greed, waste and economic demoralization — are the very things that will have caused the national economic tragedy.

Will America Be "Bled White"?

And bearing on this question of low manpower, we may note that we have heard not a little about other countries being "bled white." We are not likely, at our present casualty list rate, to escape approaching for very long that very condition, particularly if we have many experiences of losing 80 men to our allies' one. We seem to have, as the main spring of our military strategy, as viewed by some, the postulate that since we and our allies have more men than our enemies, we can kill off man for man with them and still have some men left, so winning the war.

Revolutionary Manpower

But the casualties will greatly reduce our American manpower as made up of those men who believe in a free America under the Constitution; but it will not seriously affect the national revolutionary manpower, for these seem, on one account or another, to have stayed away from the firing lines, some by malingering with false diseases or injuries, others by being in places protected as essential industries, or by other means, so that the American revolutionists will form a very considerable part of our national post-war manpower. Of course they hope to become an increasingly powerful, if not the controlling element, in the life of the people. I am sure they now count upon this and some charge them as willing to promote a national economic debacle to bring this about. This would transplant Russia to the United States. And speaking of Russia, did you notice in the news the other day that an official Russian utterance declares that while a free press is all right for the bourgeois nations, it does not fit into the communistic order of things. There can be no freedom of speech among them. Freedom of speech kills tyranny. This threat of a communistic control in post-war America is not only a threat, but is the only real threat to America today, to our free Government, to our free institutions, to our constitutional guarantees, to our free enterprise, to our freedom of the press, of speech, and of conscience. We would better remember this.

Government Employees

Another factor in the post-war days will be the reduction of State and Federal employees. It is said that the Federal employees alone, notwithstanding the announced present drastic need for men, remains at about 3,300,000, with no real effort apparent to curtail them by getting them into the service. It will be interesting some time to learn just who these employees are, to what groups they belong. There is evidence to support the charge some make that the revolutionists have placed their members in key Government positions, getting ready for the take-over when the critical moment shall come. In the post-war period the bulk of these governmental employees must be gotten out into the production end of our economy instead of lodging in the spending end. In this connection it may be noted that the United States Bureau of the Census was reported in the press as announcing that there were 155,000 governmental agencies—State, county, city, township—in this country, with 6,503,000 civilian employees. A great part of these must be eased back into some useful, productive occupation; we cannot support and do not need that much "paper work."

Post-War Woman-Power

Speaking of manpower, we might say a word about woman-power, for we shall face that in post-war America. We need not enter into a discussion of woman's place in the economic world of today, but we can say this much: we shall have in the post-war economy the problem of adjusting therein those women (and there will be considerable numbers of them) who will prefer business careers to motherhood and homemaking.

The Home

If we shall consider the matter, we shall see clearly that our whole civilization has been built, in the last analysis, on the home—father, mother, children. This is the unit around which community life, national life, the economic life, indeed the whole life of the peoples of the world, has been built. The family and home were ordained of God from the beginning. The father brought the shelter, food and raiment; the mother bore the children and, with the father's help, reared them. The economics of the world have been framed and keyed to this end. We have cored our social, economic and political lives around the sacred hearthstone of the home, and the building and support of the family. We have clustered about the family altar our most cherished hopes, our loftiest ambitions, our highest ideals. our most sacred human relationships. Honor, reverence, obedience, industry, honesty, thrift, virtue, love have been born and nurtured beside the family altar. Mother love, the nearest counterpart to Divine love that we know, has burned as a holy incense on that altar. Father, mother, son, daughter have been the magic key words that have unlocked the treasure houses of our purest joys and of our noblest achievements. Some of us have staked our all for the future world in the perpetuation of the home and its holy associations during the eternities that are to come. The home has been the compass by which humanity has held itself along the course alotted to us by the Creator Himself.

Children Under Communism

But the communistic revolutionists of other lands have changed all this; under their concepts children are the property of the State; men and women are merely the brood animals to beget and birth them; great State nurseries care for them; State schools, completely dominated, train them in the doctrines and habits and beliefs they wish them to have: great public dormitories lodge them; food and clothing come from the State; the State determines what and how they worship, if at all; the State tells them when, how, and at what they shall work; the State determines how far they shall go in any and every line of human thought and human action. Man's achievement is no longer measured by his capabilities, but by what the little group of despotic overlords decide. Free speech, free thought, free conscience, free agency, are driven out of mortal ken. And who is the State? Not all the humans living within its territorial limits, but a few despots that by pillage, plunder and murder, "liquidation," shall place themselves at the head. I am not speaking in hyperbole; I am only in a few words setting out the essentials of what the world in my short lifetime has witnessed in other lands.

Our Progress Towards Communism

Let us look at our condition: Already we have begun to move down that trail which we follow like dumb sheep; public nurseries have been set up to tend the children while the mothers work; this is the first time in our America that women have been called out by the State or by our economic system into the field and workshops to do the manual labor of men, as do the peasant women of Europe; public kitchens have been established in the schools where the children may be fed by the State instead of going home (some children are saying: "We get better food there than at home, why should the State not feed us all the time?"); proposed laws would prevent youths from helping earn the family livelihood and governmental recreation has been provided to take the place of work; CCC camps have been created to take youths thus State-fed, clothed and housed, from their home localities, mingling all kinds and classes together and gathering them into large camps that we in this area have seen become, in some cases, breeding places for idleness, gambling, blasphemy, and all the cardinal transgressions; public gratuities have been scattered broadcast for doing something and for doing nothing; they have persuaded many of us good old people, who as a group make up perhaps as much as a third of our total population, that we should be fed, housed, and clothed by the State no matter how able our children are to provide for us, nor, in practice, how able we are to care for ourselves. These youths and we old people make perhaps as much as one-half our population. Do you not see how far we are along the revolutionary road? No small part of our population is already debauched. This whole problem will be with us when peace comes.

In speaking of youth, I am mindful of the old saw: "All work and no play makes Jack a dull boy," but I also know that all play and no work is more than likely to make Jack a worthless boy. I am against what is known as "child labor"—no true Christian could stand for that—but I am for having strong, healthy children and youth given some work to do: to help mother in the kitchen, or father on the farm or in the store, or with the flocks and herds, or, where the need is, to work for others at proper work to help support a family in distress.

"Social Security"

Another angle of this concept of State support is that of so-called social security which, under existing governmental policies, will loom increasingly larger in the post-war period. Here, as elsewhere, plans are building on the basis of the economic returns of free enterprise, whereas those same plans contemplate the abolition of free enterprise with a consequent destruction of the returns that come from it. We are going to try to eat our cake and yet still have it. No one has yet successfully done this.

Small Business

We shall enter the post-war era with small business in a precarious position, if not indeed essentially ruined. What private enterprise is left may be largely in the hands of the few. This would be the pattern that would fit best the system set up by the revolutionists in other lands. It is far easier to bring compelling pressure on a few, easily reached in a few communities, than on the many, widely scattered over the whole land. Our economic policy of the past has been to foster competition and build the many. Diversification of opportunity has been our guiding principle. But this is changed. We shall have this problem with us after the war.

Maintenance and Management

And speaking of small business, we shall, in the post-war era, have added as a part of the problem of its maintenance the problem of management. During the war the existing successful business management has had a constant urge to careless expenditure and sometimes wasteful, because of the practical capital levy, in the higher brackets, which Government has imposed in the form of income taxes of one kind and another. It has become a common practice governing corporate expenditures to consider that this or that can be done, whether really necessary or not, because the Government will pay 95% of the cost. This is obviously wholly unsound, but it exercises its influence everywhere. Existing management must in this regard reorient itself in post-war time.

But there will be an additional element. Men in our military service have seen so much carelessness, extravagance, waste, and actual needless destruction of property (for example the Alaskan scandal) that they no longer think in terms of business frugality and thrift and business care. They have operated on a practice of an inexhaustible supply that costs nothing. It will not be easy to bring this habit and concept under control in the post-war business, so that management by these men, either of large or small businesses, can realize the need for economy to make even small returns. They may well think in billions while handling hundreds.

Post-War National Debt

I shall merely mention one of the most important of the post-war elements: our national post-war debt. That will present a problem that in mere size has never arisen in the world before. It has arisen in a relative proportion before, with (so far as I know) one invariable answer: bankruptcy and financial chaos, with all the suffering and hardships these have entailed. When the pinch comes demands will be made for repudiation or cancellation of the debt, or for abolition of interest, or for partial measures of both sorts, which will almost surely bring great financial distress.

Inflation

As a companion problem to the debt will be the problem of inflation. So far as I can gather, no one, inside or outside governmental circles, can tell us whether or not that will come; that is, come beyond our present inflation. Patriotic men of all shades of political belief earnestly desire that it may not get beyond control. The alien revolutionists would probably view radical inflation with favor, as bringing the economic chaos out of which they expect to rise as dictators.

Survival of Private Enterprise

Intimately connected with the public debt and inflation is the question of financing private enterprise, assuming the war leaves us with private enterprise. If the Government continues its policy of tax-bleeding the people for money to use for all sorts of purposes, including the financing of private enterprises, which money costs the Government nothing, which it has no obligation to return, which imposes no burden if it is lost or stolen, which, indeed, can be actually burned up or given away without founding a call for its return, money that is absolutely free money, if the Government continues to use a part of that money to lend back to the people, at rates which do little more than provide a handling charge, it is difficult to see how private financing can live, and, of course, the revolutionists do not want it to live. Now the funds for private financing come from the thrifty and frugal; they are savings or profits given to the custodian — bank, investment trust, insurance company, or what not—for safekeeping and usually to yield some return; they must be returned to the owners on demand or at a time specified, and the custodian, who is thereto a guarantor, must so handle the funds that he may return them under the terms of deposit, and must have a fund to which he can look to meet this obligation, as also to make good all losses; he must meet the costs of his custodianship, he must build up reserves against losses, and he must pay something (dividends) to those who underwrite his guarantee (his stockholders) for their service. Under these circumstances it is difficult to see how private lending, meeting these charges, can long compete with public lending, having no necessary charges; and if private lending goes, then the public lendings will almost surely be made, in no small part, on purely political considerations. We cannot blink this post-war problem. Private financial institutions have lived during the war, and partially met this Government competition in the private lending field, only because they have bought low-yielding Government securities that bore their overhead.

Post-War Regimentation

We shall come into post-war America in substantial part regimented, and not for free industry and life under a Government of the liberty and the free institutoins and the personal guarantees and protection we have heretofore known and enjoyed, but regimented for a socialized State and Government which deifies the State and makes of men its slaves.

We have gone a long distance down this trail, too. On another occasion I described our progress.

Almost four years ago (eight months before Pearl Harbor) I made this public statement:

> "No thinking person doubts that our people, our nation, and the world are now passing through one of the great crises of the world's history. We are in the midst of a world-wide revolution, which is wholly alien to our free institutions and is foreign in birth, concept, and directing head. No man, of his own power, sees the end. But the end the revolutionists seek is fairly clear; it is the overturning of the whole existing order, political, financial, economic, social, religious, the complete destruction of our Constitution and the Government established under it, and then the setting up of some sort of despotism that shall destroy, in all these fields, the free agency which the Lord gave to man. The revolutionists plan that this is to be largely done during the war, under the plea of war necessity; it is to be continued after the war under the excuse—if we are not then too cowed to require an excuse—that this new political order is necessary that we may rehabilitate the world. They count that then, after a little time, the revolution will be secure. There seems no doubt that this is their conscious, deliberate, planned end. We have gone a long way already down this road."

There is yet no need to retract any word of that statement."

Factors Used in Regimentation

There are certain patriotic, economic and social factors which have been instrumental in bringing us to where we are, and that are common instruments of the revolutionists of other lands. Most of these will persist after the war.

Patriotic Factor

First, there is the patriotic factor: We must do this to win the war! And we, not wishing to hinder the war effort, nor to be charged therewith, but desiring to aid it in every way possible, have held our tongues and bent our backs to every burden lest we should be called unpatriotic and might really hamper the war effort. It was known we would do so, and that knowledge was traded on. After the war we shall have added to the patriotic urge, the urge of serving suffering humanity, to put us behind foreign relief, continuation of lend-lease, international monetary programs, policing the world, and other like schemes and plans.

Mass Inertia

Another instrumentality that has been consciously used in other lands is the well-known inertia of a great human mass, which leads it to endure rather than to act. The conventional procedure has been known and applied of working slowly and cautiously, so as not unduly to arouse the mass, while it was brought under regulation after regulation to its undoing. We have already seen this at work.

Love for Ease and Idleness

Again: the inherent love of man for the ease and idleness, plus his greed and cupidity, have been played upon by giving us something for nothing, letting us live without work. Many of us have come to believe the world owes us a living, whether we work or loaf.

Mental Laziness

Man's natural mental laziness has been taken advantage of by showing us we did not need to think or plan or worry about our shelter, fuel, food and clothing; the State would take care of us and we could forget the anxieties attending upon earning a livelihood. We have blithely walked along that easy road.

Spendthrift Urge

This last argument has been enforced by telling us we could and should spend all we had, make no savings, because the State would care for us. Thus thrift and frugality were killed. The father no longer need provide for the wife, son and daughter; the State would care for that; and wife, son and daughter should thereafter look to the State, not to father, for their sustenance.

Fear of Old Age Penury

Our fears that our old age would find us penniless and in want have been played upon, and we have been persuaded that the State would care for us in our old age, we forgetting that this would make of the nation one great poorhouse. We are not through with that technique.

Fear of Food Shortage

At the moment our fears have been raised that we are faced with a shortage of all foodstuffs, so there is fastened upon us additional regimentation in food. Persons reputedly well informed tell us that there is no real shortage of food and that all this is done: first, to make us more amenable to direction and, next, to make us more war-conscious, as if the sorrow and mourning that has invaded hundreds of thousands of households in the land have not told us in grim words that our sons were dying in a bloody war. This is not our first war. We fought one war when the enemy pickets patrolling the south bank of the Potomac could be seen by Lincoln from the South Porch of the White House. We were then strained to the utmost, but we had not a hundredth part of the regulation and regimentation we now have with a war 3,000 miles away in one direction and twice that distance in another. Relatively we were as hard pressed then as now.

Fright of Industrial Leaders

Our industrial leaders, charged with the responsibility of looking after the interests of stockholders, have been frightened with the thoughts that if they did not accept and carry out the regimentations and regulations imposed upon business, that the State would seize and operate the plants, with a threat of not returning them.

Pretended Helping of Underprivileged

The whole regimentation program and action has been veneered either with a plea of patriotism, too frequently not involved at all, and to which I have already referred; or with a pious pretense of caring for the "underprivileged." So we have been given and have accepted food, fuel, clothing and shelter in exchange for our liberties and our free agency, until now, frequently pauperized, we look for sustenance, not to the results of our own labors, not to the filial obligation of our children, not to the Christian care of our Church, but to the State, which thus takes the place in our lives of self-effort, children and Church.

This is State socialism; it is not democracy; it is not the concept of a republic.

History is repeating itself. Esau being hungry, sold his birthright to Jacob for a mess of pottage. We are a nation of Esaus.

Joseph Sold Into Egypt

The fundamentals of this technique are as old, certainly, as Joseph, who was sold into Egypt. For he, acting for Pharaoh, first purchased from the people with the taxes extorted from the people all the grain produced by the people; then when the famine came Joseph sold this grain back to the people, in the first year, for all the cash they had, which he turned over to Pharaoh; in the second year for all the flocks and herds they owned, which all went to Pharaoh; next, for all their lands, which he turned over to Pharaoh; and finally, he gave them grain in exchange for their bodies, and they became "servants unto Pharaoh." The enslavement of the people was complete, Joseph saying to them: "Behold, I have bought you this day and your land for Pharaoh" (Genesis 47), and thereafter Joseph moved the people as he willed, and they rented back their lands on the terms he prescribed. There is more than one lesson in Egypt's seven years of plenty and seven years of famine.

Returning Soldiers

But the greatest post-war problem, the one nearest our hearts, is the one we shall have with our returning boys. Some seem to think of this problem solely in terms of employment. But in my judgment that is the least part of it.

Fighting Youth

Contrary to our tradition and to a wise statesmanship, we have forcibly taken youths into our armed forces and we have drafted them just as fast as they reached the critical age. We have not only permitted, but we have encouraged them to volunteer before that age. Heretofore in our history we have sought to prevent youths from entering the Army by refusing to enlist them, and by sending them home when we found them in the Army through misrepresentation of their ages. In the first World War we spoke in the most condemnatory terms of the countries that drafted their youth. In the present war it has been rather frankly admitted, as among ourselves, that these boys were desired as soldiers because they placed no value on life, had no sense of danger, would go where they were sent, and do what they were told. That is, they could be sent into a fiendish combat where men of maturity and discretion would not go.

Reorienting from Force

Military men frankly state that these youths have been so taught in the camps and on the fields as to give them the spirit of killers, and the military is itself trying to reorient those who are mustered out, by a 48-hour period of instruction, so that the killers will become quiet-going, peace-loving, law-abiding, orderly citizens. But 48 hours will leave yet much to be done. So our big factor of the post-war problem will be the rebuilding of these returning boys.

Youth Matured Into Men

Again, our sons went out boys, but they will come back men, hardened by thoughts and acts, by the play of passions, the gratification of urges and desires, of which we at home know nothing. They will have passed the period of character forming in an environment which has no counterpart in peace. Their habits of thought, their approach to the problems of daily life, and their methods and means of solving them will not mesh with the ways of civilian life. Force has controlled their army life, but law must direct their post-war life. They will come under new stresses and strains, for the pre-war childhood will be lost in combat. They must be handled so they will not break.

Robbed of Birthrights

Some will come back with a feeling that they have been cheated out of their birthright of homelife, training and education, and peace-time association with their friends, and will be resentful, even revengeful. This will be abnormally heightened if they shall be held abroad for long periods after the war is ended to police the world.

Returning Men Thoroughly Regimented

They will all come back thoroughly and militarily regimented, accustomed to obey orders. The less strong characters will fall easy victims to the domination of our revolutionists. Some, indeed, are returning declaring beliefs that align them with the communists.

Some, we hope many, will return strengthened and stabilized, the pretense and vanity of life all burned out, with nothing but the best remaining. They will be most effective in helping their less fortunate comrades. For, after all, the great post-war problem with the service men will be the rekindling of hope, the re-establishment of confidence in their fellow men, the blotting out of the temptation of forceful self-help, the re-enthronement of industry, thrift, integrity, and all the basic qualities of the peaceful life, the reconversion to the higher spiritual values of life that have been submerged in the demonish combats into which we have forced them, and the elimination of hate. No man who hates one man can truly love another. They must be brought actually to believe and practice the brotherhood of man.

But the most sinister possibility, if one can name a superlative out of this whole mass of serious matters, is this: We are building a tremendous military organization —it may be 13,000,000 of men, it may be as many as 17,000,000, if some of the percentages of our own settlements are maintained throughout the nation, as I think they are not. It is inconceivable we shall need all these man in this war, and yet they are constantly calling for more. In the main, as I have already said, those going into service are the young men, and they are taken as fast as they reach the prescribed age. The bulk of our adolescents and a few years older are gone. Their characters are being cast, so far as possible, in the military mold. They are away from home and the home influences that would make of them normal men. Suppose they are kept in the service for five years or for 10 years after the war, either because they are wanted to police the world or because (as has been said) it is

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Economic Adjustments From War To Peace

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proper time comes certain things will have to be done expeditiously and effectively. Such matters as contract termination, disposal of surplus war supplies and reconversion of industry to peacetime operation are receiving continuous and careful study and steps have been taken with a view to initiating the necessary adjustments.

We have taken considerable satisfaction in the fact that even with more than 10-million persons in the armed forces we have been able to produce goods and services at a rate of nearly $200-billion a year. This record achievement resulted in part from an expansion of the labor force but much more important has been the rise in output per man-hour.

For some time prior to the first world war, world production was rising at a very rapid rate. Even though this upward trend was interrupted by occasional crises and depressions the lowest point of each depression was always higher than the boom point before the preceding depression. During the 19th century England had long been the largest producer but as early as 1880 the United States moved into the lead; a lead which on a percentage basis steadily increased thereafter. As a result the United States by the outbreak of the war in 1914 was accounting for approximately 35% of total world output. After the war this trend continued while Europe fell behind in its share of total world output.

By 1928 United States production exceeded the total European output. In fact we were producing at least 60% more than the three next largest industrial countries combined. On a percentage basis the output of this country declined after 1928, partly as the result of a steady increase in the share contributed by the Soviet Union. Productive capacity remained high and in fact increased, due to the growth of production per man-hour and the increase in manpower itself. The unutilized production capacity was in fact the potential which, under the stimulus of war, was exploited after 1940 to renew the trend of the last half century toward an increasing share in total world output. The significance of the production rise per man-hour had been somewhat obscured by the depression of the early thirties.

In view of the widespread devastation caused by the war a full realization of the production potential of this country would assure the continuation of a sharp upward trend in our share of world output after the war. The postwar needs, reflected in the deferred demands of our people and in the foreign requirements for reconstruction and development, would indicate that the problem of postwar markets should present no exceptional difficulties.

At this point, however, we shall have to distinguish between the transition or immediate postwar period and the longer-run period in which the maintenance of stable business and sustained prosperity becomes the real test of our ability to meet the fundamental problem of postwar adjustment. There is no distinct line of demarcation between these two periods and the degree to which the two will merge into a sound development and growth of postwar markets will depend upon the level of postwar income.

Markets may be divided into three parts: Private consumers, business, and Government. As the war draws to a close and the Government withdraws as industry's greatest customer the other two markets will have to expand if the total market is not to shrink. The deferred demands of wartime are not in themselves sufficient to offset the shrinkage in Government expenditures. Wartime restrictions, price control, rationing and other measures have limited the portion of individuals' current incomes which are being spent for consumer goods. Savings have accumulated accordingly in large volume. Consumers have saved out of current income during the last four years approximately $100-billion of which $30-billion consists of Government bonds and more than $30-billion of currency and bank deposits.

Synchronize Postwar Spending With Reconversion

Wartime restrictions have also reduced business outlays for equipment, construction and other capital goods. Business has accumulated from unused depreciation, undistributed profits and other sources in the last four years about $40-billion in cash and Government bonds. Business decisions after the war will be directly affected by the distribution and ownership of these liquid assets.

These various classes of wartime savings can thus be of profound significance to our economy as expenditures for war decline. If their utilization is properly synchronized with the rate of reconversion and peacetime production the danger of inflation can be minimized. They will determine the conditions and rate of current-income expenditures. The important point to remember, however, is that these savings are not a substitute for current income.

Decisions by business and by Government after the war are vital to the kind of answers we shall find for the questions posed by the need for adequate postwar markets. Our capacity to produce has been demonstrated. The need for maximum levels of production, employment and consumption must be met if our system of private enterprise is to stand the test. Probably the greatest deterrent to capital expenditures is the fear of another depression. Whatever practical method of minimizing business fluctuations can be evolved will require the best efforts and full cooperation of both Government and business.

Provided effective results flow from this joint approach and if the expansion of consumer and business markets measures up to our productive material and human resources, the results will no doubt greatly alter the prewar pattern of expenditure. New products, new services and new markets will mean new opportunities.

Foreign Markets

Let us turn for a moment to foreign markets. I have referred to wartime savings as a stimulant and aid in sustaining the national economy during and immediately following the reconversion period. In connection with postwar foreign trade there is present a similar factor which will be important during the early postwar years. I refer to the dollar balances which have accumulated during the war to the credit of various countries which they will undoubtedly wish to utilize for the purchase of American goods as soon as their requirements can be met. This applies particularly to the Latin American countries from which we have made heavy purchases of critical and other materials throughout the war. In addition some of the European countries also have available substantial dollar balances which have been subject to control during the war but which will no doubt be released after the termination of hostilities.

Our total wartime savings, together with the large accumulation of foreign-owned balances, can thus provide a powerful stimulus for the maintenance of a peacetime production in this country at a high level for some time after the termination of hostilities. There is of course a possibility that industry will be unable to reconvert fully and expeditiously enough to meet the demand and that inflationary pressures will be intensified. Under such conditions certain controls that may have been dropped will have to be temporarily reinstated.

What about foreign markets after the transition period? Export markets are too frequently looked upon as a kind of reservoir which is always conveniently at hand for the absorption of goods and services which our domestic market is unable to absorb. Policies based strictly on this line of reasoning can easily lead to serious difficulties. As we know, markets do not reflect something that is fixed or static; they are relative rather than absolute, and their permanency depends upon the economic health of the community.

The profitable sale of goods abroad should be viewed as part and parcel of an operation which is beneficial to our domestic economy as well as to the economy of the importing country. There is nothing mysterious about the flow of goods across national frontiers. The large volume of business across the U. S.-Canadian border consisting of both goods and services bears ample testimony to this fact. On neither side is the mutually beneficial nature of these transactions questioned.

Domestic Activity and Foreign Trade

There is a special reason for dealing with export markets in connection with an appraisal of domestic markets. The two are inter-related and can not be examined separately. In the long run the real source of export-financing lies in our imports. Payment for imports provides the buying power which is so essential to foreign buyers if our goods are to move into world trade. Fundamentally the level of our domestic business activity determines the volume of dollars available to the outside world for use in our export operations. It is not only illogical but economically unsound to think of our domestic activity and our foreign trade as operating on uncoordinated and unrelated levels. It follows from this that policies designed to stimulate domestic employment and full production must be consistent with policies aiming to develop and maintain foreign markets for American goods.

The United States has long had a tremendous stake in the outside world. This is reflected, for example, in industrial and other so-called "direct" investments valued at approximately $7-billion. These investments have contributed to both the welfare of American industry and the standard of living of countries in which American business operates. In many cases these investments have been identified with the industrialization of relatively undeveloped areas.

Many such investment opportunities for development will exist after the war. The sound industrialization of areas which have available cheap raw materials and adaptable labor is consistent with the growth of foreign markets from which we ourselves can benefit. They need not be looked upon as developments detrimental to our own interests. As standards of living rise in foreign countries the need for our goods as well as the ability to pay for them will rise accordingly. Moreover, an improvement in the standard of living is one of the best safeguards against social and economic upheaval and against the cumulative forces which often lead to war.

The larger the flow of international trade the greater is the contribution that can be made by countries depending upon the sale of goods and services for the maintenance of a satisfactory level of national income. This is particularly true in the case of countries which are dependent upon the sale of one or two primary products as a means of securing foreign buying power. It is also important in the case of countries which are dependent upon the carrying trade or upon the sale of specific services as a means of securing from foreign markets the things essential to the maintenance of a sound level of economic life.

Lessons of Previous Postwar Period

Our effort to guarantee an orderly shift from a wartime economy to a peacetime economy requires therefore that we operate simultaneously on a domestic front and on an international front. It is essential that these operations be so related that we shall avoid the mistakes of the twenties when policies were evolved without relation to each other. We found then that steps inconsistent with each other exerted a downward pull on the entire international economic fabric with the result that by 1931 we experienced a more or less complete breakdown of the international financial mechanism.

To some extent we may be guided by our experience during and after World War I. Yet in many respects our problem will be different from that of 1919. This time the conversion to war production will be much more complete than in 1914-18. The expansion in plant and equipment has also been much greater. In the first world war we had less of a curtailment of non-essential industries. Price controls were less sweeping and less effective. The accumulated demand for goods and accumulated wartime savings were relatively less important than they will be after this war. We have, however, given much more attention this time to the problems of reconversion and to the development of markets after peacetime production again gets under way. More safeguards are being taken for avoiding international currency chaos that characterized the early years after the first world war. Certainly we are much more conscious of the possible consequences if adequate measures this time are either delayed or not taken at all.

Naturally I can not bring to you the solution for the manifold problems relating to postwar markets. The solution can not be pulled out of the air but involves the full effort of all of us. It requires the full cooperation of both business and Government. Above all it is necessary that we attempt by hard thinking to understand the real nature of the problem.

E. H. Rollins & Sons Suspended From NASD For 60 Days by SEC

Commission Finds Firm's St. Louis Office Manager Guilty of Fraud and Violation of SEC Regulations. Revokes Dealer-Broker License of Walter Cecil Rawls and Orders His Discharge From the Firm Along With Perry Dryden, in Charge of Chicago Office.

On Feb. 22, the SEC made public an order suspending the firm of E. H. Rollins & Sons, Incorporated, from the National Association of Securities Dealers for a period of 60 days from March 6, and also revoked the dealer-broker's license of Walter Cecil Rawls, manager of the firm's office in St. Louis, Mo.

These penalties were imposed on the ground that Mr. Rawls in his dealings with the Board of Missions of the Methodist Episcopal Church, South and others, made sales "at prices greatly in excess of prevailing market prices, speculating in securities at the customer's risk, causing excessive trading activity in their accounts, extending credit to customers for periods greater than was permitted under the Federal Reserve Board regulations, and falsifying ledger accounts concerning other transactions." There was also a charge of secret rebating to administrative officials of the funds for which the St. Louis office acted in a position of "complete trust and confidence."

The St. Louis branch of E. H. Rollins & Sons is a sub-office of the Chicago branch, which handles its accounting and which confirms its transactions. It is for this reason that the SEC has ordered that Perry Dryden, Vice-President and manager of the Chicago office of E. H. Rollins & Sons, be separated from its organization, contending that he had participated in the schemes to defraud.

The case against the firm extends back three years, during which time the SEC conducted its investigation. In its final decision, the SEC, in referring to the Rollins suspension, remarked: "In our opinion, a case has been made for the revocation of the Rollins' registration under Sec. 15(b). However, this result might well be avoided and hardship on many innocent persons be made unnecessary if Rawls and Dryden were separated from the organization. We will, therefore, afford Rollins an opportunity to present evidence that such separation has been effected and will withhold our final disposition of this issue under Sec. 15(b) for a reasonable time to permit such a showing to be made."

Following the release of the SEC decision, E. H. Rollins & Sons, Incorporated issued the following statement:

"Briefly, the order which the Securities and Exchange Commission issued yesterday in regard to E. H. Rollins & Sons, Incorporated and Walter C. Rawls refers to an investigation dating back prior to Pearl Harbor. The charges related to dealings carried on solely by Mr. Rawls with a single institutional customer through one of the firm's sub-offices located in St. Louis, Missouri, and was not directed at any other transaction with its thousands of other customers who are serviced by a nation-wide organization consisting of twenty-nine offices and hundreds of experienced employees. Although the transactions in question were cleared through the firm's Chicago office, of which Mr. Dryden was the head, that office in the main acted in reliance upon instructions of the St. Louis sub-office, over which Mr. Rawls had charge. Rollins has been engaged in underwriting and retailing securities since 1876.

"The customer whose account was the basis for this inquiry received over $500,000 in interest income from the securities purchased from Rollins. These investments produced an interest return which increased from 4.91% at the beginning of its dealings with Rollins in 1934 to 7.02% in 1943. The customer subsequently disposed of all the securities which it purchased from Rollins with a net profit to the customer of $188,000. At no time did Rollins exercise any discretionary powers over the customer's funds nor was Rollins a depository for such funds. Any and all differences between Rollins and this customer have been settled to their mutual satisfaction."

DIVIDEND NOTICES

THE ATLANTIC REFINING CO.

PREFERRED DIVIDEND **NUMBER 36**

At a meeting of the Board of Directors held February 26, 1945, a dividend of one dollar ($1) per share was declared on the Cumulative Preferred Stock Convertible 4% Series A of the Company, payable May 1, 1945, to stockholders of record at the close of business April 5, 1945. Checks will be mailed.

W. M. O'CONNOR
Secretary
February 26, 1945

Allied Chemical & Dye Corporation

61 Broadway, New York

February 27, 1945

Allied Chemical & Dye Corporation has declared quarterly dividend No. 96 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable March 20, 1945, to common stockholders of record at the close of business March 9, 1945.

W. C. King, *Secretary*

COMMERCIAL INVESTMENT TRUST CORPORATION

Common Stock, Dividend

A quarterly dividend of 50 cents per share in cash has been declared on the Common Stock of COMMERCIAL INVESTMENT TRUST CORPORATION, payable April 1, 1945, to stockholders of record at the close of business March 10, 1945. The transfer books will not close. Checks will be mailed.

JOHN I. SNYDER, *Treasurer.*
February 21, 1945.

The Board of Directors of the

CONSOLIDATION COAL COMPANY

(Incorporated in Delaware)

has this day declared the regular quarterly dividend of 62½ cents per share on the $2.50 Cumulative Preferred Stock, payable on April 2, 1945, to stockholders of record at the close of business on March 17, 1945. Checks will be mailed.

C. E. BEACHLEY,
Secretary-Treasurer
February 27, 1945

CALUMET AND HECLA CONSOLIDATED COPPER COMPANY

Dividend No. 51

A dividend of ten cents ($0.10) per share will be paid on March 19, 1945, to holders of the outstanding Capital Stock of the Calumet and Hecla Consolidated Copper Company of record at the close of business March 5, 1945. Checks will be mailed from the Old Colony Trust Company, Boston, Mass.

A. D. NICHOLAS, Secretary.
Boston, Feb. 23, 1945.

E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *February 19, 1945*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable April 25, 1945, to stockholders of record at the close of business on April 10, 1945; also $1.25 a share, as the first "interim" dividend for 1945, on the outstanding Common Stock, payable March 14, 1945, to stockholders of record at the close of business on February 26, 1945.

W. F. RASKOB, *Secretary*

A. HOLLANDER & SON, INC.

COMMON DIVIDEND

A dividend of 25¢ per share on the Common Stock has been declared payable March 15, 1945, to stockholders of record at the close of business on March 8, 1945. Checks will be mailed.

Newark, N. J.
February 26, 1945

Albert J. Feldman
Secretary

INTERNATIONAL SALT COMPANY

475 Fifth Avenue, New York 17, N. Y.

A dividend of FIFTY CENTS a share has been declared on the capital stock of this Company, payable April 2, 1945, to stockholders of record at the close of business on March 15, 1945. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN, *Secretary.*

DIVIDEND NOTICES

Johns-Manville Corporation

DIVIDEND

The Board of Directors declared a dividend of 50¢ per share on the Common Stock payable March 12, 1945, to holders of record March 3, 1945.

ROGER HACKNEY, *Treasurer*

KANSAS CITY POWER & LIGHT COMPANY

First Preferred, Series B — Dividend No. 73
Kansas City, Missouri — February 21, 1945

The regular quarterly dividend of $1.50 per share on the First Preferred, Series "B," Stock of the Kansas City Power & Light Company has been declared payable April 1, 1945, to stockholders of record at the close of business March 14, 1945.

All persons holding stock of the company are requested to transfer on or before March 14, 1945, such stock to the persons who are entitled to receive the dividends.

H. C. DAVIS, Assistant Secretary.

OFFICE OF NORTHERN STATES POWER COMPANY (WISCONSIN)

The board of directors of Northern States Power Company (Wisconsin), at a meeting held on February 20, 1945, declared a dividend of one and one-quarter per cent (1¼%) per share on the Preferred Stock of the Company, payable by check March 1, 1945, to stockholders of record as of the close of business February 20, 1945, for the quarter ending February 28, 1945.

N. H. BUCKSTAFF, Treasurer.

DIVIDEND NOTICE

Dividend of 25c a share on the Common Stock has been declared payable April 2, 1945, to stockholders of record on March 20, 1945.

M. F. BALCOM, Treasurer.

SYLVANIA ELECTRIC PRODUCTS INC.
Salem, Massachusetts — Feb. 28, 1945

TENNESSEE CORPORATION

A dividend of 25¢ per share has been declared, payable March 27, 1945, to stockholders of record at the close of business March 7, 1945.

61 Broadway,
New York 6, N. Y.
February 20, 1945.

J. B. McGEE
Treasurer.

THE UNITED STATES LEATHER CO.

The Board of Directors at a meeting held February 28, 1945, declared the regular quarterly dividend of $1.75 per share on the Prior Preference stock, payable April 1, 1945 to stockholders of record March 10, 1945.

C. CAMERON, Treasurer.
New York, February 28, 1945.

Dillon Resumes Post With Dean Witter

Robert G. Dillon, who has been on active duty with the United States Naval Reserve for more than two years, has returned to his former position with Dean Witter & Co. as manager of the bond department in the New York office, 14 Wall St.

Chester Terrell With L. W. Hoefinghoff Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, O. — Chester T. Terrell has become associated with L. W. Hoefinghoff & Co., Inc., Union Central Building. Mr. Terrell was formerly manager of the trading department for Field, Richards & Co. and prior thereto served in a similar capacity with Edward Brockhaus & Co.

FINANCIAL NOTICE

MIDLAND VALLEY RAILROAD COMPANY

Interest Payable April 1, 1945 and Oct. 1, 1945
on
ADJUSTMENT MORTGAGE SERIES "A" AND "B" BONDS

Philadelphia, Pa.
February 21, 1945

The Board of Directors has ascertained, determined and declared from earnings of the year ended December 31, 1944, 4% interest on the Adjustment Mortgage Series "A" Bonds and 1% interest on the Adjustment Mortgage Series "B" Bonds, 2% payable April 1, 1945 and 2% payable October 1, 1945 on the Adjustment Mortgage Series "A" Bonds, and 1% payable April 1, 1945 on the Adjustment Mortgage Series "B" Bonds, as provided in Section 4 of the Supplemental Indenture dated April 1, 1943.

On and after the interest payment dates given, the Fidelity-Philadelphia Trust Company, Philadelphia, Pa., will pay the following amounts for coupons surrendered:

Series "A" Bonds—Coupon No. 3—April 1, 1945—$20. on $1,000. and $10. on $500. Bonds; Coupon No. 4—October 1, 1945—$20. on $1,000. and $10. on $500. Bonds.

Series "B" Bonds—Coupon No. 3—April 1, 1945—$10. on $1,000. and $5. on $500. Bonds.

C. JARED INGERSOLL,
CHAIRMAN OF THE BOARD.

Some Elements Of Post-War American Life

(Continued from page 955)

cheaper to feed them in the army than in civilian life—evidently the Government plans on feeding them somewhere—or for some other cause. But whatever the case, their military service will keep them out of the labor market and our civil life and our civilian activities while revolutionists rivet down their communistic plan to the enslavement of all of us. In addition to this last, their retention in the military service will help the revolutionists to indoctrinate them with communism as they serve in the armed forces. Suppose that to this be added a peace-time compulsory universal military service for after the war, which will add to the first group all the young men born by the nation thereafter. Do I need to point out where all this can lead? And yet I am sure some are now planning these very eventualities.

But I must close. I have wished to bring together and to call to your attention a number of matters, the close relationship of which it is easy to miss, and to indicate to you that, so assembled, they make a pattern which cannot be accounted for except on the theory that some group of minds is working out a diabolical plan for the destruction of our liberties and freedom, our divinely inspired Constitution and the Government our fathers set up thereunder, and the wiping out of our constitutional guarantees and the free lives, the security, the happiness, and the blessings we have enjoyed thereunder.

I have always believed, and believe now, in the aggregate wisdom of the people, and that if you can bring the people to understand the problem they will solve it in terms of human freedom and progress. It has been with the thought that possibly I might add something, however little, to such a solution that I have come to you today.

God grant that to all of us shall come the will and the strength to preserve America for our children and our children's children, even as our fathers preserved it for us.

Turner, Govt. Mgr. of New York Hanseatic

New York Hanseatic Corporation, 120 Broadway, New York City, announces that Arthur C. Turner has become associated with them as manager of their U. S. Government bond department. Mr. Turner was formerly with the trading department of Carl M. Loeb, Hhoades & Co. and prior thereto was manager of the bond department of E. F. Hutton & Co.

Home Repairs Financed With FHA Funds

Nearly 390,000 American families financed urgently needed home repairs and maintenance last year with funds advanced by private financial institutions and insured by the Federal Housing Administration, Commissioner Abner H. Ferguson announced on Feb. 24. Loans reported during 1944 by these institutions for FHA insurance under Title I of the National Housing Act, it is announced, numbered 389.592 and amounted to $125,150,082, compared with 308,161 such loans for $96,373,831 reported during 1943.

This increase, Mr. Ferguson said, can largely be explained by necessities which arise from a continuation of the war emergency during which these loans may be made for three purposes only—repairs necessary for health or safety, to provide additional quarters for war workers, and particularly for such installations as insulation, weather stripping, storm doors and windows to help in the conservation of fuel.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 952)

what about the long term outlook? First, let me say that I don't care to give long term opinions. They seldom stand up long enough to be dignified by the term "long pull." But if events of the past are any yardsticks for the future, my guess is that even if regulations are passed to increase taxes the basic market trend will be left untouched.

* * *

Of course prices will go lower. The Street is always sensitive to rumors and changes of any kind. But unlike in other activities, traders jump first and reason after. So on opinion alone stocks were sold. You can expect this selling to continue for a couple of days. Worst hit will be the stocks which had the sharpest advances. This kind of action is, however, typical of a market discounting the news. So if the news eventually becomes an accomplished fact the chances are that the worst will have been seen.

* * *

Of course it will cost more to be in the market than before. But I hardly believe the regulation, if one occurs, will be retroactive. So those who hold on will probably be okay. That it will tend to reduce speculation is a foregone conclusion. Yet if money is as loose as they say it is, the conclusion may not be so foregone at that.

A few weeks ago you had a list of stocks. It is assumed you still have them. My advice is to hold but keep the stops in mind. Subsequently I recommended another group for buying. Up to the time the market started to move up only one of these, American Radiator, hardly a world beater, was available. But if the current nervousness continues and prices back away much more, you may get the rest before the next column appears.

* * *

In case you don't remember the stocks and prices, here they are again: American Crystal Sugar bought at 18½, now about the same price. Stop at 18. American Steel Foundries bought at 28, now about 32, stop 29½. Baldwin Locomotive bought at 26, now about 29, stop 28. Crucible Steel at 38, now about 44, stop 41. U. S. Steel at 59, now about 61, stop 59.

* * *

Second list is as follows: Consolidated Edison at 24, stop 26. Public Service of N. J. at 18, stop at 18.

Here is the list of stocks you were unable to get but may be able to in the very near future: Allis Chalmers 40½-41½; stop 39. American Bank Note 23-24; stop 22. National Lead 25-26; stop 24. Latter became available Tuesday, Feb. 27. Socony-Vacuum 15-15½; stop 14½.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Canadian Securities

(Continued from page 951)

a 2% yield basis and National Octobers and Seventies, and Montreal Harbors moved accordingly.

Likewise, although less rapidly, the longer-term high grades also moved into line, and another important block of long-term Ontarios changed hands again at a new high. Albertas still held firm and it is confidently expected that on the occasion of the provincial Budget Speech, next week, a formal debt reorganization plan will be laid before the Alberta Legislature.

An interesting feature accompanying the general rise of the market level is the easing of the supply situation — demand at higher prices has stimulated offerings with a resultant acceleration of activity.

Internals, both bonds, and equities, continued in steady demand, and with free funds bid at 9⅛% discount, recourse had to be made to the official source of supply.

With regard to the possible future trend, there is every reason for the continuance of the process of the Canadian market here moving into line with the level for comparable domestic securities. This movement has already taken place to a large degree in the case of the shorter-term, high-grade bonds, following the level set by the new Quebec issue. It can be anticipated therefore that increasing activity along a similar course will be experienced by the longer-term securities, and there is every likelihood of a broadening of the market for lower-grade bonds.

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Objections to Bretton Woods Pacts

(Continued fro mpage 931)

anti-administration Republican member from Wisconsin, speaking in the House of Representatives last Tuesday; Mr. Keefe told the House:

"The Treasury Department, struggling with problems of a magnitude undreamed of a few years back, is in the over-all picture, staffed and manned by men and women of courage, rare intelligence, and distinction. I have nothing but praise for the manner in which the functions of this great department of government have been carried on. In my judgment, it is simply amazing that the Department has been able to attract and keep men of such outstanding character and ability. The tremendous problems of finance have been met with courage and fidelity. The people of the country are entitled to know that from the Secretary of the Treasury down through the long list administrative assistants and heads of bureaus and agencies, the work of this great department of government has been met in a manner that should challenge the admiration of the people of the country, regardless of political affiliation."

It was under this leadership that the representatives of forty-four of the United Nations met last July at Bretton Woods, New Hampshire, to formulate proposals for an International Monetary Fund and an International Bank for Reconstruction and Development.

We met in an atmosphere of tolerance and co-operation.

The professed objectives, as I understood them, were: (1) the expansion of our trade with other countries by making available credits and exchange; it was expected that this would result in (2) full employment and would be a dominating factor in (3) preserving peace by offering assurance against economic maladjustments which sometimes cause wars.

Many were skeptical of the proposed means of accomplishing these objectives. No one denied the advisability of attempting to devise plans to stabilize the relationship of world currencies and to give each country a fair and proportionate share of the world's business. Many thought, and still think, that in balancing world trade in the manner proposed and agreed upon, we should be certain that in the accomplishment we did not destroy our own commercial and financial position in world affairs to the prejudice of American industry, agriculture and labor. Full employment does not depend entirely upon full approval without amendment of the Bretton Woods Articles of Agreement; but will it be an aid or will it be a deterrent to the gainful employment of from 55 to 65 million of our people? That is the question which the American people and the Congress must satisfactorily answer after full consideration has been given to the claims of both the proponents and opponents before it will be wise to take definite action.

The conference was careful not to bind any country; it agreed only to submit the Articles of Agreement to the various countries for such action as they see fit to take. No government will be bound by the Articles until it has formally approved them, and then only when they have been approved and signed on behalf of governments having sixty-five per centum of the total of the quotas.

Enabling legislation has been introduced in the Senate and House of Representatives. It is expected that hearings will start within the next two weeks.

The subject is of tremendous and far-reaching importance. It is important, not only as a possible key to our economic destiny, but I cannot emphasize too strongly that it may well become a potential and perhaps controlling influence to our social and political position in the world of nations. Congress realizes its responsibility and will have a thorough understanding of the basic and affiliated issues before it finally takes action.

It is only because I want to provoke thought and debate, as an aid to a full understanding of the many questions which must be considered and satisfactorily answered before the Congress can intelligently act, that I call attention to some of the alleged deficiencies and to some of the objections made to both the Fund and the Bank.

Time and space will not permit an enumeration of all of them, but from what has been published and from many conferences, I conclude that the following are considered fundamental and are those most likely to be considered by Congress. I submit them without comment in the hope that public discussion of them will crystallize intelligent popular opinion, and thus fortify Congress in any action it may finally take.

Arguments Against the Proposed International Bank

It is alleged that:

1. The Bretton Woods lending program is only a part of a much larger program of expanded exports through loans, and will inevitably result in defaults abroad and disillusionment at home, because this country will not permit the large scale imports necessary for the repayment of all the loans and investments.

2. The program for vast exports, predicated in part on Bretton Woods credits, will ultimately produce a third world war, for the reason that it will cause a disequilibrium in world trade.

3. Although the stated objective of the Bretton Woods program is the balanced growth of world trade, by financing the industrialization of other countries, we may rather find that, in the end, we shall have balanced trade at low level, instead of at our high level, to the detriment of our laboring men, our farmers and industrialists.

4. The Bank will be under political pressure to make unwise loans.

5. Our past lending experience should dampen our ardor for such a scheme.

6. The Bank will kill off private lending, to the detriment of foreign borrowers.

7. The Bank would be under debtor-country control.

8. Private bankers can take care of all lending needs.

9. If American dollars are to be loaned, they should be loaned without the intermediation of other nationals.

10. The Bank and the Fund should be separated, and not regarded as one program for simultaneous enactment.

11. The guaranty of debtor countries is of questionable value to the United States.

12. Concessions to the other countries like the Latin Americas, who insisted at Bretton Woods that the Bank be devoted equally to reconstructoin and development, mean in effect that members desiring to develop have an automatic right to loans.

13. Our subscription is unlikely to be the full measure of our contribution, since the Bank may later increase its capital.

14. Repeal or suspension of the Johnson Act, as is provided in the Wagner-Tobey-Spence Bill, means tearing up billions in old IOU's, and the pouring out of new billions of private American capital.

Arguments Against Proposed International Fund

1. It is contended that it is inadvisable to set up two distinct agencies; that there is no necessity for the Fund; that the functions of the Fund can be better administered by creating a department in the International Bank for making exchange stabilization loans, and that the functions of the Bank in this respect may be supplemented by increasing the capital and powers of the Export-Import Bank of Washington. It was partly in deference to this theory that in considering the so-called George Bill in the House last week amendments were suggested which in effect would create the Export-Import Bank of Washington as an independent agency of the government, divorcing it from all domination by the Secretary of Commerce and making it possible for the Congress to control its policies.

2. From the U.S.A.'s standpoint, the stabilization fund created out of the devaluation "profits" of 1934 is more than ample for our needs, since $1,800,000,000 of the original $2,000,000,000 has never had to be touched.

3. If we are going to attempt to stabilize the economies of other countries, it should not be done in the guise of currency stabilization.

4. The Fund in most cases would start out by recognizing as the "value" of individual foreign monetary units the artificial quotations which have been in force throughout the war, whereas many foreign currencies if released from control, would have a true buying power of only a fraction of the present artificial quotations. Therefore, the Fund would conceal the true condition.

5. The Fund will be used for capital purposes, as well as for the intended short-term purposes.

6. Our subscriptions to the Bretton Woods program (Fund and Bank) would be as much money as the value of all the goods we exported in three entire pre-war years: 1936, 1937 and 1938. We should therefore look this program over carefully before committing ourselves.

7. The hope that the Bretton Woods Fund will assure or even materially contribute to world peace is vain in the light of the realities among which the world lives.

8. The Bretton Woods program is really just a variation of the W.P.A., but on a world-wide scale. It is international pump-priming.

9. The Fund will destroy the control by Congress over the dollar, and the constitutional prerogative to regulate the value of our money will be imperiled.

10. The Fund is premature; the world is not yet ready for it. Domestic currencies should be stabilized before we attempt to stabilize foreign exchange.

11. The Fund is too large for stabilization purposes, and consequently would encourage member nations to delay the necessary steps, generally disagreeable, to effect a balance in their international payments.

12. The Fund gives the member countries virtually an automatic right to borrow and leaves little or no discretion to the Fund to refuse to make a loan.

13. The Fund would be controlled by the debtor countries.

14. The Fund will not, as asserted by some advocates, eliminate exchange control.

15. The Fund does not tackle the important question of blocked balances.

16. The Fund will actually encourage exchange control. To control capital movements, the members must control short-term transactions as well.

17. Virtually the only internationally-desired money in the Fund apart from about $1,000,000,000 of gold, would be that money contributed by the United States.

18. The Fund will interfere with the sovereignty of its members and with their powers to control their own economic lives.

19. The Fund is too complex to be understood or honestly explained so that the average person can understand it.

20. The Fund has a marked inflationary bias. Under it, all changes will be in the direction of devaluation.

21. Our past lending experience should dampen our ardor for such a scheme.

22. The Fund erroneously presumes that there is a general scarcity of international monetary resources.

23. The Fund would be dissipated without any material accomplishments.

24. The benefits of the Fund in the monetary field could readily be offset by trade controls.

25. The wide divergence of interpretation of the meaning and operation of the Fund, both here and in Britain, bodes only ill for the Fund's future.

26. The Fund's safeguards are inadequate.

27. The Fund is likely to break down because currencies and trade outside the Fund will far exceed those within the Fund area.

28. The Fund is objectionable because it is a cartel.

29. The Fund, by Section 5 of Article IV, is rendered powerless to achieve its proclaimed purpose of ending economic warfare.

30. There is no real compulsion on members to continue membership, once their quotas have been exhausted.

31. The U. S. A. would have the legal right to withdraw from the Fund, but once a member, it would not have the moral right to do so. Withdrawal later would be much more difficult than abstention now.

32. Since the Fund may borrow here, there is no telling what its total cost will be to us.

33. The Fund is unsuited to the problems of the transition period; it is primarily a long-run agency.

34. Government and other organized propaganda has focused attention on the Bretton Woods program, to the exclusion of other solutions of the problem. The President instructed the American delegation at Bretton Woods to consider no alternative plan.

35. The Fund will only obscure the underlying problems and render more difficult their ultimate solution.

36. Under the Bretton Woods program (Fund and Bank) gifts will be confused with loans.

37. The Fund promises too much; in particular, there is a gap between the Fund's supply of dollars and the rights under the Fund to dollars.

38. The quotas have no realistic relation to credit needs and credit-worthiness of members.

39. The Fund does not really stabilize.

40. The Fund does not provide for two-way adjustment.

41. The best solution of the world currency problem is restoration of the gold standard.

42. The best world monetary system is international bimetalism.

43. The Fund is only a device for lending dollars cheaply and will soon be wasted or lost.

44. The Fund gives to its members indiscriminately, without regard to credit worthiness, the automatic right to borrow foreign exchange.

45. Both because of the terms of the agreement, and the nature of our "Good Neighbor" policy, the Fund will be managed by debtor countries, and the U. S. A. in reality will exercise only a minority voice.

46. The Fund is too ambitious; stabilization of "key currencies" is more practical.

47. Before stabilization is attempted, trade barriers must be removed. To set up the Fund now is to put the cart before the horse.

48. International currency stability cannot endure unless based upon prior economic and political stability within the various individual nations.

49. The Fund may force us to lower our tariffs.

50. The Fund's "safeguards" are not effective safeguards, because they may be waived.

51. In the Bretton Woods program, we should be pouring our money down a rat-hole.

52. The Fund implies Government control of foreign trade.

53. The Fund is an unnatural monstrosity, because it attempts to reconcile the irreconcilable; its appearance of agreement is really a diplomatic fiction.

54. The Fund cannot work as we are told it would, because economic considerations were set aside for military and political reasons at Bretton Woods.

The proponents of the Fund and the Bank, especially the Treasury, have given assurance that many of these criticisms are not justified, and answers have been offered to many others; to many persons, however, the answers are not considered sufficient. Apparently much study must still be given to many of them by the people and the Congress.

You, as a club, and as representatives of units of our economy, vitally interested in the purposes, plans and operation of the Fund and Bank, can be of tremendous assistance.

The economic, social and political future of America was at stake at Bretton Woods. The final decision will be dictated by the people of America.

It has been a pleasure to be here today, and I know that you will feel at liberty to give the Congress the benefit of any decisions you make in respect to these proposals.

Over Two Hundred at Cleve. S. E. Dinner

CLEVELAND, O. — The forty-fifth annual meeting of the Cleveland Stock Exchange was attended by more than two hundred at the dinner in the main ballroom of the Hotel Statler. This was the first meeting of exchange members, industrialists, bankers and brokers, and proved so successful that it is indicated the dinner may become an annual event.

Charles A. Otis was principal guest speaker of the evening and reviewed his more than half-century of business and financial life in Cleveland, recalling the organization of the Cleveland Exchange in 1899. Mr. Otis had his audience in gales of laughter at his quips.

Guy Prosser, Merill Lynch, Pierce, Fenner & Beane, the newly elected president of the Exchange, was toastmaster of the evening. He declared that the Exchange this year had set a goal of more listees, more volume and more business.

Election of officers of the Exchange was reported in the "Financial Chronicle" of February 22nd.

Guests at the dinner were:

Asael Adams, Dollar Savings & Trust.
V. N. Alexander, National Tile Co.
G. W. Andrews, Union Bk. of Commerce.
W. H. Annat, Spieth, Taggart, Spring & Annat.
F. M. Asbeck, Wm. J. Mericka & Co.
F. M. Baker, J. S. Bache & Co.
F. L. Ball, Park Drop Forge Co.
W. I. Beam, Chamber of Commerce.
T. A. Billenstein, Cleveland Trust Co.
C. C. Blair, Metropolitan Paving Brick Co.
R. B. Blyth, National City Bank.
R. E. Borton, Wm. J. Mericka & Co.
R. W. Bosworth, Ball, Burge & Kraus.
P. M. Bourne, Cleveland Trust Co.
G. C. Brainard, General Fireproofing Co.
C. W. Brown, Saunders, Stiver & Co.
Hon. T. A. Burke, Jr., Mayor of City of Cleveland.
J. J. Carroll.
A. F. Cerveny, Fostoria Pressed Steel Co.
H. G. Chappell, Ruple Collinwood Coal Co.
Al Clark, Paine, Webber, Jackson & Curtis.
S. D. Clark, National Assn. of Security Dealers Inc.
C. C. Clayton, Wellman Engineering Co.
C. L. Cleaver, Interlake Iron.
S. B. Congdon, National City Bank of Cleveland.
J. T. Conners, Merrill Lynch, Pierce Fenner & Beane.
Ernest Cornell, Division of Securities.
Herbert Covington, Harriman Ripley & Co.
M. J. M. Cox, Curtiss House & Co.

J. N. Darrow, Merrill Lynch, Pierce Fenner & Beane.
C. F. Davis, First Cleveland Corp.
Phil Dawson, Medusa Portland Cement Co.
Arthur DeGarmo, Merrill Lynch, Pierce Fenner & Beane.
Arthur Dewey, Joseph & Feiss Co.
R. L. Dickey, Kelley Island Lime & Transport.
R. Diehl, McDonald & Co.
J. H. Dipple, Halle Bros. Co.
C. H. Doerge, Wm. J. Mericka & Co.
R. F. Donahey, Robt. F. Donahey & Co.
J. F. Drake, Walthall and Drake.
F. F. Duncan, Cleveland News.
S. M. Eilers, Hornblower & Weeks.
F. H. Emery, Finley & Co.
C. W. Evans, Weinberger Drug Stores, Inc.
Peter Fahey.
J. T. Feighan, Standard Brewing Co.
Paul Feiss, Joseph & Feiss Co.
J. S. Fleek, Hayden Miller & Co.
I. P. Freiberger, Cleveland Trust Co.
Harry Gawne, Merrill Turben & Co.
D. H. Gearheart, Warren Refining & Chemical Co.
F. C. Gee, First Cleveland Corp.
E. B. Geggus, Curtiss House & Co.
L. L. Gelbach, Central National Bank.
B. H. Gier, Merrill Lynch, Pierce Fenner & Beane.
A. V. Grace, Arthur V. Grace & Co.
A. P. Gram, Eaton Mfg. Co.
George Gund, Cleveland Trust Co.
S. H. Halle, Halle Bros. Co.
W. W. Hancock, Republic Steel Corp.
Joseph Hartzmark, Goodbody & Co.
H. S. Harrison, Cleveland Cliffs Iron Co.
M. C. Harvey, M. C. Harvey & Co.
H. E. Hogue, Wasmer Bolt & Screw Corp.
James Holan, American Coach & Body Co.
H. C. Hopkins, H. C. Hopkins & Co.
R. H. Horsburgh, The Glidden Co.
D. M. Hosford, Salomon Bros. & Hutzler.
H. W. Hosford, H. W. Hosford Co.
Allan C. House, Curtiss House & Co.
Nat Howard, Cleveland News.
Fred Hudson, Ball, Burge & Kraus.
H. C. Jackson, Interlake S. S.
Robert Jones, Saunders, Stiver & Co.
H. B. Joseph, Joseph & Co., Inc.
J. J. Kane, First Assistant U. S. Attorney.
H. B. Keeler, Keeler & Co.
E. H. Keller, McDonald & Co.
E. A. King, Maynard H. Murch & Co.
W. H. Koelling, Curtiss House & Co.
O. E. Koeser, Blyth & Co.
E. C. Koster, Vlchek Tool Co.
Harry Kraus, Ball, Burge & Kraus.
J. A. Kruse, Otis & Co.
V. S. Latimer, Warren Refining & Chemical Co.
Frank Lewman, Richman Bros.
C. B. Lincoln, Otis & Co.
A. A. List, National Refining Co.
C. L. Liston, Prescott & Co.
J. P. Long, Cleveland Cliffs Iron Corp.
W. G. Mather, Cleveland Cliffs Iron Corp.
A. M. Maxwell, Standard Oil Co. of Ohio.
C. H. McCrea, National Malleable & Steel Castings Co.
Hon. Wm. McDermott, Municipal Court.
J. R. McGaw, Cleveland News.
J. C. McHannan, Central National Bank.
B. J. McPolin, McDonald & Co.
G. A. Medinger, Fostoria Pressed Steel.
J. J. Mellon, Clark Controller Co.
J. P. Murphy, Higbee Co.
L. W. Murfey, Curtiss House & Co.
H. R. Neff, Geo. S. Rider Co.
Eliot Ness, Diebold, Inc., Canton, Ohio.
Stuart Norrs, U. S. Marines
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Eugene Parker, Burgess, Fulton & Fulmer.
W. J. Perry, Cleveland Stock Exchange.
F. M. Pollock, Buckeye Ribbon & Carbon Co.
C. H. Pomeroy, National Malleable & Steel Castings Co.
E. W. Powers, Butler, Wick & Co.
Franklin Powers.
C. W. Prosser, U. S. Air Forces.
W. H. Prosser.
J. L. Quigley, Quigley & Co., Inc.
G. W. Reese, Reese Chemical Co.
Hiram Rivitz, Industrial Rayon Corp.
Buy Rockwell, Cleveland Plain Dealer.
A. S. Rodgers, White Sewing Machine Co.
J. E. Rogers, Addressograph-Multigraph Corp.
E. J. Rung, C. J. Devine & Co.
O. W. Schroeder, Neal-Phypers Co.
F. J. Schulte, Jr., Ledogar Horner Co.
Edward Schultz, J. S. Bache & Co.
S. M. Schultz, Capital Bank.
W. P. Seiberling, Seiberling Rubber Co.
Louis Seltzer, Cleveland Press.
A. J. Sharr, A. J. Sharr & Co.
H. J. Sheedy, McDonald & Co.
Seward Sheldon, Cleveland Press.
R. O. Shepard, Hawley Shepard & Co.
John Sherwin, Interlake S. S.
Edward Siegler, J. S. Bache & Co.
L. G. Smith, Otis & Co.
R. H. Smith, Lamson & Sessions Co.
S. H. Smith, Paine, Webber, Jackson & Curtis.
W. H. Smith, Merrill Lynch, Pierce, Fenner & Beane, N. Y.
Joseph Spivack, Weinbergegr Drug Stores, Inc.
W. H. Staples, Nestle Le Mur.
H. L. Stettler, Jr., Akron Brass Mfg. Co.
J. K. Thompson, Union Bank of Commerce.
R. M. Ullman, Ullman & Co., Inc.
W. G. Vorpe, Cleveland Plain Dealer.
A. J. Wardle, McKay Machine Co.
A. J. Weathehead, The Weatherhead Co.
Russell Weisman, Cleveland Plain Dealer.
H. E. White, Cleveland Trust Co.
R. G. Widdows, Electric Controller & Mfg. Co.
C. W. Wild, Harbauer Co.
G. R. Williams, Livingston, Williams & Co.
Hamilton Wilson, Field, Richards & Co.
H. B. Winsor, Second Federal Savings & Loan.
Harlan Yenne, Cleveland Trust Co.
D. D. Zevin, Commercial Bookbinding.
H. O. Ziegler, Union Bank of Commerce.
J. A. Zimmer, Packer Corp.
W. H. Zink, W. H. Zink & Co.

Calendar Of New Security Flotations

OFFERINGS

PROVIDENCE OF QUEBEC has filed a registration statement for $15,000,000 2% debentures due March 1, 1950.

Proceeds—The proceeds, together with other funds of the Province, are to be applied to the redemption of $15,000,000 4½% debentures due March 2, 1950, callable on and after March 2, 1945.

Underwriters — Underwriters are First Boston Corp., Smith, Barney & Co. and Harriman, Ripley & Co., Inc., $2,500,000 each; A. E. Ames & Co., Inc., Dominion Securities Corp. and Wood, Gundy & Co., Inc., $2,050,000 each, and MeLeod, Young, Weir, Inc., $1,350,000.

Registration Statement No. 2-5595. Form S-1. (2-20-45).

Offered Feb. 28 by above banking houses at 100 and interest.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

MONDAY, MARCH 5

WARREN PETROLEUM CORP. on Feb. 14 filed a registration statement for $3,000,000 10-year sinking fund debentures, due March 1, 1955 (interest rate to be filed by amendment) and 150,000 shares of common stock (par $5).

Details—See issue of Feb. 22.

Offering—Of the $3,000,000 debentures $1,000,000 are to be sold to four stockholders at the public offering price and the remaining $2,000,000 are to be sold to the underwriters for public offering.

The stock now outstanding is being sold by stockholders.

Underwriters — Merrill Lynch, Pierce, Fenner & Beane head the underwriting group, with the names of others to be supplied by amendment.

LACLEDE GAS LIGHT CO. on Feb. 14 filed a registration statement for $19,000,000 first mortgage bonds due Feb. 1, 1965, and $3,000,000 serial debentures due serially March 1, 1948 to March 1, 1955. Interest rates will be filed by amendment.

Details—See issue of Feb. 22.

Business—Public utility.

Offering—The price to the public of the bonds and debentures will be filed by amendment.

Underwriters—Bonds and debentures will be offered for sale at competitive bidding and interest rates will be named by the successful bidder. The names of the underwriters will be filed by amendment.

TUESDAY, MARCH 6

SOLAR MANUFACTURING CO. on Feb. 15 filed a registration statement for 50,000 shares of common stock. The shares are issued and outstanding and do not represent new financing.

Details—See issue of Feb. 22.

Offering—The offering price to the public will be filed by amendment.

Underwriters—The underwriting group is headed by Van Alstyne, Noel & Co. Others will be filed by amendment.

WEDNESDAY, MARCH 7

BLUEFIELD SUPPLY CO on Feb. 16 filed a registration statement for 4,990 shares of common stock, par $100.

Details—See issue of Feb. 22.

Offering—The offering price $100 per share. New common is being offered to present stockholders on a pro rata basis of their holdings as of March 15, 1945.

Underwriters—None named.

SATURDAY, MARCH 10

AUTOMOBILE DEALERS INSURORS, INC. on Feb. 19 filed a registration statement for 4,985 shares of preferred stock and 7,470 shares of Class A common stock.

Details—See issue of Feb. 22.

Offering—Preferred and Class A common stock will be offered only to factory authorized automobile dealers and automobile finance men in blocks of one share of preferred and two shares of Class A common for $101 per unit.

Underwriters—None named.

EMERSON ELECTRIC MANUFACTURING CO. has filed a registration statement for 42,360 shares of common stock. The shares are issued and outstanding and do not represent new financing by the company.

Underwriting—Van Alstyne, Noel & Co. heads the underwriting group.

Registration Statement No. 2-5591. Form S-1. (2-19-45).

Registration withdrawn—It has been announced that the shares have been placed privately and the registration statement has been withdrawn.

ARO EQUIPMENT CORP. has filed a registration statement for 30,000 shares of cumulative preferred stock (par $50) and 55,000 shares of common (par $2.50). Of the common registered, 25,000 are being sold by the company and 30,000 by J. C. Markey, President and Director.

Address—Enterprise and Trevitt Streets, Bryan, Ohio.

Business—Since entrance of country into the war, the activities of the company have been concentrated largely in the manufacture and sale of aircraft accessories. On April 5, 1944, the stockholders approved an amendment authorizing the company to engage in the oil business.

Offering—The offering price of the preferred and common stocks will be supplied by amendment.

Proceeds—Company will use its share of the proceeds for the acquisition and carrying of inventories, purchase of machinery and other equipment, research and development.

Underwriting—Central Republic Co., Inc., and Kebbon, McCormick & Co.

Registration Statement No. 2-5592. Form S-1. (2-19-45).

INTERSTATE BAKERIES CORP. has filed a registration statement for $2,500,000 first mortgage 4¼% bonds due March 1, 1962.

Address—406 W. 34th Street, Kansas City, Mo.

Business — Manufacture and sale of bakery products.

Offering—Price to the public will be filed by amendment.

Proceeds—Net proceeds from the sale, with other funds of the company, will be used to redeem on or about April 12, 1945, at 105 and interest the $2,500,000 presently outstanding first mortgage 5% bonds due June 1, 1958.

Underwriting—H. M. Byllesby & Co., Inc., A. C. Allyn & Co., Inc., Central Republic Co., Inc., Farwell, Chapman & Co. and Stern Brothers & Co.

Registration Statement No. 2-5593. Form S-1. (2-19-45).

LACLEDE GAS LIGHT CO. has filed a registration statement for 2,165,296 shares of common stock ($4 par). Shares registered are owned by the Ogden Corp.

Address—1017 Olive Street, St. Louis, Mo.

Business—Public utility.

Offering—The offering price will be filed by amendment.

Proceeds—The proceeds will go to the Ogden Corp. which is the owner of the shares registered. The new common stock is being offered by Ogden Corp. pursuant to the terms of a plan of reorganization of Ogden and its subsidiaries which was approved by the Commission on May 27, 1944. The shares are being sold by Ogden as a part of its program to dispose of its public utility investments in accordance with the Public Utility Holding Company Act of 1935. The stock will be sold pursuant to the Commission's competitive bidding rule.

Underwriting—To be filed by amendment.

Registration Statement No. 2-5594. Form S-1. (2-19-45)

TUESDAY, MARCH 13

FLINTKOTE CO. has filed a registration statement for 62,800 shares of common stock (no par).

Address—30 Rockefeller Plaza, New York City.

Business—Directly or through subsidiaries engaged in the manufacture and sale of various asphalt and asbestos-cement roofing and siding products, etc.

Offering—The stock is to be offered in exchange for all the outstanding stock of Tile-Tex Co. Flintkote states it is advised that shares issued to stockholders of Tile-Tex pursuant to the exchange agreement may be sold by the holders on the New York Stock Exchange at prevailing market prices. In the event the shares are sold otherwise the company will file a post-effective amendment. The agreement provides that the exchange of stock shall be effected as of the close of business March 24, 1945.

Purpose—To acquire Tile-Tex Co. stock.

Underwriters—None named.

Registration Statement No. 2-5596. Form S-1. (2-22-45).

AMERICAN CASUALTY CO. OF READING, PA., has filed a registration statement for 100,000 shares of capital stock (par $5).

Address—607 Washington Street, Reading, Pa.

Business—Casual-surety company.

Offering—The new shares are being offered to present stockholders on the basis of one-third of a share of new stock for each share held. The subscription price will be filed by amendment. The unsubscribed shares will be purchased by underwriters for offering to the public at a price to be filed by amendment.

Proceeds—Of the proceeds, $500,000, at the rate of $5 per share, will be allocated to the capital stock account and the balance will be allocated to surplus, by action of the board of directors. The primary purpose of the financing, registration statement said, is to enable the company to increase by $1,000,000 during the year 1945, its investment in its wholly-owned subsidiary, American Aviation & General Insurance Co.

Underwriters—Huff, Geyer & Hecht is the principal underwriter, with names of others to be named by amendment.

Registration Statement No. 2-5597. Form S-1. (2-22-45).

WEDNESDAY, MARCH 14

MARSHALL FIELD & CO. has filed a registration statement for 150,000 shares of cumulative preferred stock ($100 par). Dividend rate will be filed by amendment.

Address—222 North Bank Drive, Chicago.

Business — Operation of department stores, textile and floor covering mills and the Merchandise Mart in Chicago.

Offering—Company is giving to the holders of its 6% cumulative preferred shares and 6% cumulative preferred shares, Second Series, the right to exchange such shares prior to 3 p.m. March 19 for the new preferred on a share for share basis plus certain cash payments by the company, and subject to certain dividend adjustments. Shares not issued in exchange will be sold to underwriters for offering to the public. The offering price to the public will be supplied by amendment. The amount of the cash payment will be filed by amendment.

Proceeds—Entire net proceeds from the sale to underwriters of unexchanged shares, together with such additional funds as may be required, will be applied to the redemption of the preferred shares of both classes not exchanged by the holders for the new preferred stock.

Underwriters—Principal underwriters are Glore, Forgan & Co., Lee Higginson Corp. and Shields & Co. Others will be named by amendment.

Registration Statement No. 2-5598. Form A-2. (2-23-45).

BURTON-DIXIE CORP. has filed a registration statement for 60,000 shares of common stock ($12.50 par). The shares are issued and outstanding and are being sold by Oliver M. Burton director and chairman.

Address — 2024 South Racine Avenue, Chicago, Ill.

Business — Normal operations consist principally of the production of fabricated items for furniture, bedding and automobile manufacturers.

Offering—The offering price to the public is $16.50 per share.

Proceeds—The proceeds will go to the selling stockholder.

Underwriters—Paul H. Davis & Co. heads the list of underwriters, with the names of others to be filed by amendment.

Registration Statement No. 2-5599. Form S-1. (2-23-45).

AMERICAN AUTOMOBILE INSURANCE CO. filed a registration statement for 75,000 shares of common stock (par $4). The shares are issued and outstanding and being sold for the account of two stockholders, 50,000 by Katherine N. McLennan and Woodbury S. Ober, executors of the will of Donard R. McLennan, and 25,000 shares by Katherine N. McLennan.

Address—1400 Pierce Building, St. Louis, Mo.

Business—Underwriting of various classes of casualty risks and fire insurance risks.

Offering—The offering price to the public will be filed by amendment.

Underwriting—G. H. Walker & Co., Kidder, Peabody & Co., and Huff, Geyer & Hecht.

Registration Statement No. 2-5600. Form A-2. (2-23-45).

CONTINENTAL CAN CO., INC., has filed a registration statement for 150,000 shares of cumulative preferred stock (no par). The dividend rate will be filed by amendment.

Address—100 East 42nd Street, New York City.

Business — Manufactures a diversified line of cans and other metal containers.

Offering—The offering price to the public will be filed by amendment.

Proceeds—The proceeds will be added to the general funds of the company and may be used to finance in part a program of capital improvements and additions when circumstances permit.

Underwriters—The underwrting group is headed by Goldman, Sachs & Co. and Lehman Brothers. Others will be filed by amendment.

Registration Statement No. 2-5601. Form S-1. (2-23-45).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ACME ALUMINUM ALLOYS, INC. on Jan. 29 filed a registration statement for 185,000 shares of common stock (par $1) and 40,000 shares of $1.10 cumulative convertible preferred (par $17.50).

Details—See issue of Feb. 1, 1945.

Offering Price—Offering price of preferred stock is given at $20.75 per share and of common at $8 per share.

Underwriters—Reynolds & Co., and Gillen & Co.

A. P. W. PRODUCTS CO., INC. on Jan 27 filed a registration statement for $2,000,000 20-year 5% first mortgage sinking fund bonds and 40,000 shares of capital stock (par $5).

Details—See issue of Feb. 1, 1945.

Offering—Holders of outstanding $2,000,000 20-year 6% first mortgage sinking fund bonds due 1948 are given the privilege of tendering their bonds for redemption as of April 1, 1945 at 102½ and interest, or, in the alternative, to assent to an extension of the maturity date to April 1 1965 and the reduction of interest to 5% per annum and to receive in consideration for such extension $25, the amount equivalent to the 2½% redemption premium, and in addition 20 shares of the company's ($5 par) common stock. The extension offer will expire at noon Feb. 26, 1945. Bonds not tendered for extension will be redeemed at 102½ and accrued interest to April 1, 1945. After the expiration of the extension offer, an amount equal to the unextended 6% bonds are to be offered to the public by the underwriters at the initial offering price of $1,000 "per unit" consisting of $1,000 20-year 5% first mortgage sinking fund bond and 20 shares of common stock.

Underwriters — Allen & Co., Bond & Goodwin, Inc., E. W. Clucas & Co., R. H. Johnson & Co., Schoellkopf, Hutton & Pomeroy, Inc., Buckley Brothers, George R. Cooley & Co., Inc., Brailsford & Co., and Ferris, Exnicios & Co., Inc.

ARKANSAS-MISSOURI POWER CORP. on Dec. 4 filed a registration statement for $2,000,000 first mortgage bonds, series A, 3⅛%, due Dec. 1, 1974.

Details—See issue of Dec. 7, 1944.

Offering—The bonds will be offered for sale at competitive bidding.

BENDIX HELICOPTER, INC. on Feb. 2 filed a registration statement for 1,400,000 shares of capital stock, par value 50 cents.

Details—See issue of Feb. 8, 1945.

Offering—Of shares registered 1,000,000 are to be offered presently proportionately to holders of outstanding stock on basis of four additional shares for each five shares held at $1.60 per share; 200,000 shares are reserved to be issued when, as and if certain outstanding options are exercised, and 200,000 additional shares are reserved to be issued when, as and if certain stock option warrants to be issued by the corporation to the underwriters are exercised. Such shares of stock as are not subscribed for by the stockholders will be offered to the public by the underwriters at $2 per share.

Underwriters—Kobbe, Gearhart & Co., Inc., and Bond & Goodwin, Inc., are named principal underwriters.

BENSON AND HEDGES on Feb. 8 filed a registration statement for 30,000 shares of common stock (no par).

Details—See issue of Feb. 15, 1945.

Offering—Company is offering the 30,000 shares of common stock to holders of outstanding $2 cumulative convertible preferred stock and holders of common stock for subscription at rate of one share of common for each two shares of stock, preferred or common, held Feb. 27, 1945, at $25 per share. Tobacco and Allied Stocks, Inc., majority owned of outstanding voting stock has expressed its intention of exercising its subscription rights and also has agreed to subscribe for all unsubscribed shares at $25 per share.

Underwriters — Agreement with parent made it unnecessary for company to enter into any underwriting agreement.

CENTRAL OHIO LIGHT & POWER CO. on Dec. 28 filed a registration statement for 11,972 shares of preferred stock, cumulative ($100 par). The dividend rate will be filed by amendment.

Details—See issue of Jan. 4, 1945.

Offering—Company proposes to invite proposals for services to be rendered to it in obtaining acceptances of the exchange offer of new preferred stock for old preferred and for the purchase from it of such of the 11,972 shares as are not exchanged pursuant to the exchange offer.

DIANA STORES CORP. on Feb. 5 filed a registration statement for 40,000 common stock purchase warrants and 40,000 shares of common stock par value $1 per share, issuable pursuant to these warrants.

Details—See issue of Feb. 15, 1945.

Offering—40,000 shares of common stock are issued and outstanding and are not offered for account of company. Company is offering 40,000 shares of common issuable upon the exercise of the stock purchase warrants and the payment of $7 per share.

Underwriters—Not named.

FLORIDA POWER CORP. on July 21, 1944 filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment.

Details—See issue of July 27, 1944.

Offering—Stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50.

Underwriters — Names of underwriters will be filed by post-effective amendment. The successful bidder will name the dividend rate on the stock.

GENII CORP. on Dec. 23, 1944 filed a registration statement for 1,868 shares of common stock.

Details—See issue of Jan. 4, 1945.

Underwriters—Company plans to sell the securities registered direct to the public without the assistance of underwriters or dealers.

Offering Price—Offering price is $100 per share.

HERFF JONES CO. on Jan. 27 filed a registration statement for 60,000 shares of class A preference stock, par $1. The shares are issued and outstanding and do not represent new financing.

Details—See issue of Feb. 8, 1945.

Offering—The offering price is $10 per share.

Underwriters—Cities Securities Co., Indianapolis, is the principal underwriter.

NATIONAL PRESSURE COOKER CO. on Dec. 19 filed a registration statement for 150,000 shares of common stock (par $2).

Details—See issue of Dec. 28, 1944.

Offering—Stock will be offered to common stockholders of record on Jan. 25, 1945, in the ratio of one and one-half shares for each share of stock held at $15 per share. Subscription rights expire Feb. 25.

NORTHERN PENNSYLVANIA POWER CO. on Jan. 26 filed a registration statement for $4,000,000 first mortgage bonds due 1975.

Details—See issue of Feb. 1, 1945.

Competitive Bidding—The bonds are to be sold under the Commission's competitive bidding rule, with the interest rate to be named by the successful bidder.

Underwriters—To be named by amendment.

Seeks Bids—Company is inviting bids for the purchase of the bonds, the coupon rate to be specified in the bids. Bids will be received by company at Room 2401, 61 Broadway, New York 6, N. Y. up to 12 o'clock noon, EWT on March 6.

OHIO WATER SERVICE CO. on Dec. 7 filed a registration statement for 80,880 shares of common stock, par $10. The shares are now outstanding and are being sold by Federal Water & Gas Corp.

Details—See issue of Dec. 14, 1944.

Underwriters—Otis & Co. are principal underwriters.

OLD STAR DISTILLING CORP. on Aug. 14, 1944 filed a registration statement for 5,000 shares of $100 preferred stock, non-cumulative and non-participating. Price to public will be $110 per share.

Details—See issue of Aug. 24, 1944.

Underwriters—No underwriter named.

SAVANNAH-ST. AUGUSTINE GAS CO. on Feb. 3 filed a registration statement (No. 2-5582) for 6,250 shares of 5% cumulative preferred stock, par $100, and 30,000 shares of common stock, par $10.

Details—See issue of Feb. 8, 1945.

Offering—Offering price of preferred is $100 per share and that of common $15 per share.

Underwriters—Clement A. Evans & Co., Inc.; Johnson, Lane, Space & Co., Inc.; Robinson-Humphrey Co.; Courts & Co.; Varnedoe, Chisholm & Co., Inc.; Putnam & Co.; Kirchofer & Arnold, Inc.; Milhous, Martin & McKnight, Inc., and J. H. Hilsman & Co., Inc.

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"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The upward movement of the government bond market continued last week, with the longer-term taxable issues leading the way, by registering gains of more than a half a point. . . . The sharp advance shown in the restricted issues, such as the 2¼% due 1956/59 and the long 2½'s indicates that the savings banks and insurance companies were important factors in the market last week. . . . The investable funds of these institutions are piling up, and despite the high levels of the market, this money has to be put to work. . . . It is reported that the market for the longer term 2½'s is quite thin, with dealers positions pretty well liquidated, so that a not too sizable amount of buying serves to put the market for these obligations up rather substantially. . . .

WHAT'S THE ANSWER?

The market is playing one of the greatest guessing games in its history, trying to figure out the issues that may be offered in the Seventh War Loan. The range of these guesses are as follows:

1½% due 1950 or 1951
1¾% due 1953/55
2¼% due 1960/62
2⅜% due 1968/73
2½% due 1975/80

Each one is entitled to take his pick although there seems to be many in the "financial district" who believe that there will be an offering of a five-year to six-year 1½% obligation instead of an intermediate term issue. . . . They point out that this will reduce the cost of financing to the government and would be in line with the present market. . . . If such an offering is made, it is believed that it will be combined with a long term 2¼% or 2½% bond. . . .

The feeling that a short term 1½% security will be in the next War Loan "basket," undoubtedly was responsible for the run-up last week in the 2% due 12/15/49/51, the 2% due 3/15/50/52, the 2% due 9/15/50/52, the 2% due 9/15/51/53 and the 2% due 12/15/51/53. . . . The opinion now is that with a short term issue, the 2's due 1952/54 will go above 102, although at present prices they do not appear to have too much left in them. . . .

INCREASED RESTRICTIONS INDICATED

There is considerable discussion as to the possibility that greater restrictions may be placed upon the Seventh War Loan offerings. . . . Some hold the opinion that the commercial banks will not be allowed to subscribe to the medium term and long term bonds. . . . Others feel that the savings banks, insurance companies and to a limited degree, the commercial banks, with savings deposits may be permitted to purchase only limited amounts of the longer term issues. . . .

It was pointed out that if such a procedure were adopted, trading might not be as profitable as previously for present holdings necessarily would be retained, at least to a greater degree. . . . This method probably would necessitate an offering of shorter term issues to commercial banks, generally and this, in turn, would create War Loan deposits, lessening the urge to create such deposits by bidding for subscriptions. . . . Regardless of what changes may be made, if any, further large offerings of government securities will be made. . . .

Because of the high market level for Government issues, many people believe that the pattern of financing has changed, with new rates to be expected in the future. . . . Up to the present time, the Treasury has not indicated that they have been dissatisfied with the present pattern of interest rates. . . .

However, last year when the British sold intermediate term 1¾% obligations instead of the long 2½'s because the long term debt was increasing too rapidly, and the end of deficit financing was not in sight, many in this country believed that a change in our pattern of financing was inevitable. . . .

BRITAIN AND THE UNITED STATES

There are many points of difference between Great Britain and the United States, and one of the most important of these is that England is a small, poor nation with a very heavy debt. . . . As a result England has had to make use of a large short term debt to make the interest burden bearable. . . . With a complete monopoly of the money markets, the British have no doubt about their ability to finance maturities and accordingly they offered the shorter term 1¾% bonds in place of the longer 2½'s to cut the debt service. . . . Up to the time of the British action in lowering the interest cost, the pattern of interest rates was set in the United States. . . . Not long after the British brought out the short term 1¾% issue, our 2% bonds started to advance faster than ever before. . . . Many doubtful people in our country were at last convinced that interest rates in the United States would not go up, after all these years of still hoping for 4% governments. . . . Suddenly they realized that the eight to ten-year 2% bonds were not so long, and these bonds over night become very desirable issues because of the fear that no more of them would be issued. . . .

The British move convinced these people that they must buy the longer term issues and as a result the 2% and 2½% bonds have been pushed into new all-time high levels. . . .

IMPORTANT DIFFERENCE

Now many people in this country feel that we will follow the British method of financing and make much greater use of the short term securities. There will be, however, this very important difference between what took place in England and what may happen in the United States.

(a) In England the government took the first step to cut the debt burden.
(b) In the United States the financial institutions took the initiative in cutting the cost of the debt service with the government likely to fall in line with this policy.

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War Bonds Tax Exempt Says Treasury Dept.

War bonds are not subject to state income taxes, Daniel W. Bell, Under-Secretary of the Treasury, said on Feb. 24, according to United Press advices published in the Chicago "Journal of Commerce" of that date in which it was further stated:

He (Mr. Bell) telegraphed Chester Davis, President of the Federal Reserve Bank in St. Louis, instructing him to correct the impression that a proposed Missouri constitution would tax income from war bonds.

A pamphlet issued by an association against the proposed Missouri constitution, Mr. Bell said, reported that war bond income would be subject to three taxes.

"The pamphlet conveys an entirely erroneous impression and might seriously affect the sale of war bonds in your state," Mr. Bell said.

The pamphlet said a Federal income tax, a state income tax and an intangible property tax all could be levied on income from war bonds.

But Mr. Bell telegraphed Mr. Davis that all war bonds issued since March 1, 1941, "are exempt from all taxation now or hereafter imposed on the principal or interest."

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N. J. Howland V.-P. of D. T. Johnston Co.

Announcement is made of the election of N. J. Howland as a vice-president of Douglas T. Johnston & Co., Inc., 247 Park Avenue, New York City, investment counsellors. Mr. Howland was formerly an officer of W. R. Bull Management Co., Inc., and its predecessors.

Hatcher & Company Formed in Dallas, Tex.

DALLAS, TEX.—Hatcher and Company, Inc., has been formed with offices in the Kirby Building, to engage in an investment business. Maurice M. Hatcher is president of the firm. Mr. Hatcher in the past was with Beckett, Gilbert & Co., W. K. Ewing & Co., and Bain, Emerson & Co.

Mercantile Bank Opens Investment Department

HAMMOND, IND.—The Mercantile Bank of Hammond announces the opening of an investment department in charge of John E. Taylor.

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The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 161 Number 4364
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The Financial Situation

Appearing in behalf of a measure to enable the banks to extend more aid to the Treasury in financing the war through inflationary tactics, the Chairman of the Board of Governors of the Federal Reserve System was drawn by the Senate Banking and Currency Committee last week into a discussion of ways and means of avoiding or limiting the natural post-war effects of the type of war financing he would now assist. The Chairman's insistence upon a balanced post-war national budget is certainly sound and is as certainly welcome in thoughtful circles. His proposal for the adoption of measures "for full employment" is altogether too vague to admit of appraisal. If he means what most officials in Washington mean when they make such a statement, he cannot be too emphatically condemned. We hope there are not very many who would support him in his demand for continuation of price controls and material allocations—at least for more than a very brief transitional period.

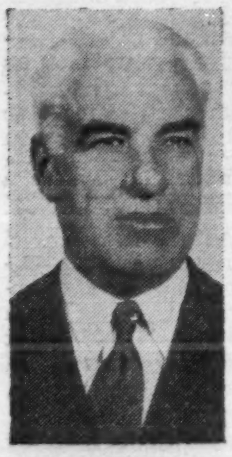
Eliminate the Speculator?

But when the Chairman suggests that the "speculator" should be "eliminated" by the imposition of a crushing tax on capital gains he seems to have spoken before he had given the matter the thought it deserves. It is scarcely credible that he is really ready to eliminate the speculator from the economic system. He speaks of farm prices having risen 60%, urban homes 40 to 50%, and stocks 80%. Precisely where he obtains such figures it is rather difficult to guess, but one thing is quite clear. That is, the increases, whatever their amount, are not the result of the activities of the "speculator." Least of all are they due to any manipulative activity.

(Continued on page 964)

Stettinius Reaffirms the Good Neighbor Policy

He Tells the Inter-American Conference the United States Will Aid Latin American Nations in Reconversion Problems. Favors Regional "Blocs," but Insists That Action Must Be in Line With Policy of World Peace Organization. Upholds Principles of Atlantic Charter and Crimea Conference but Insists Nazism and Aggression Must Be Permanently Eliminated and Nazi Leaders or War Criminals Find No Refuge in Any Nation. In Radio Address on Feb. 24, He Urges Participation of Small Nations in Post-War Peace Plan, Together "With Free Access to Information."



E. R. Stettinius, Jr.

Secretary of State Edward R. Stettinius, Jr., in an address on Feb. 22 at the first plenary session of the Inter-American Conference on Problems of War and Peace, held at the Chapultepec Palace in Mexico City pledged a continuance of the good neighbor policy of the United States and reaffirmed the principles of the Atlantic Charter and the Yalta Conference "of permitting and assisting" all peoples to choose the form of government under which they will live. However, he insisted that Nazism and Fascism must be permanently stamped out, and that no refuge should be offered by any nations to Nazi or Fascist leaders to carry on underground activities and again disturb the peace of the world. He upheld a regional organization of nations and stated that "the United States Government believes that the stronger we can make the inter-American system in our own sphere of activity, the stronger the world organization will be." He disclosed further that "The United States intends to propose and support measures for closer cooperation among nations in public health, nutrition and food supply, labor, education, science, freedom of information, transportation and in economic development, including industrialization and the modernization of agriculture." This last statement was particularly pleasing to the Latin-American delegates to the Conference who are seriously concerned regarding the problems of their countries in the reconversion period from war to peace.

The full text of Secretary Stettinius' address follows:

Mr. President and fellow delegates:

I. It is an honor and a privilege for me to address on behalf

(Continued on page 968)

Says Sterling Cannot Be Stabilized Until Britain Balances Her International Accounts

Dean Madden of New York University Predicts Great Britain's Industrial and Agricultural Productivity Will Increase and Her Most Difficult Financial Position Will Come in the Immediate Post-War Years. Says U. S. and Canada Can Help.

Dean J. T. Madden

Until the international accounts of Great Britain have been balanced and the problem of the frozen sterling debt incurred abroad during the war has been solved, it will be impossible to stabilize the pound sterling on a permanent basis which in turn will affect the international value of a number of currencies, according to a bulletin entitled "The Post-War International Financial Position of Great Britain" issued today by Dean John T. Madden, Director of the Institute of International Finance of New York University.

According to the bulletin: "The international financial position of Great Britain has been adversely affected by the following developments: (1) The balance of payments position of the country has deteriorated because of the loss of foreign investments, the decline in commodity exports and the shrinkage of invisible exports. (2) Great Britain will emerge from the war with a large foreign short-term sterling debt owed primarily to Empire countries. (3) Some of the countries which before the war imported large quantities of manufactured goods from Great Britain have become industrialized and it is uncertain whether the British will recapture these markets. (4) The agricultural position of Great Britain has undergone a considerable change. A much larger proportion of the foodstuffs consumed within the country is grown at home, but the cost of producing food is much higher in Great Britain than elsewhere. (5) The destruction of private and public buildings in Great Britain has been very great. So long as the nation is engaged in reconstruction it will not be able to export large quantities of goods. Moreover, the reconstruction will necessitate large imports that will further aggravate the balance of payments of the country. Great as these problems are, they are not insurmountable and under certain conditions they can be solved within a few years."

In discussing the balance of payments problem the bulletin states:

"The post-war balance of payments of Great Britain will show considerable changes. Even before the outbreak of the war Britain's ability to balance her current international accounts was already decreasing, and in the last two pre-war years these accounts showed a deficit of about £55 million a year. These deficits could be easily covered with the then available gold and readily marketable foreign assets. After the war Great Britain will not occupy the creditor position she formerly enjoyed and her income from foreign investments will be much smaller than in the pre-war period. During five years of war Great Britain liquidated £1,065 million of foreign investments in addition to disposing of substantial amounts of gold and dollar balances accumulated prior to the

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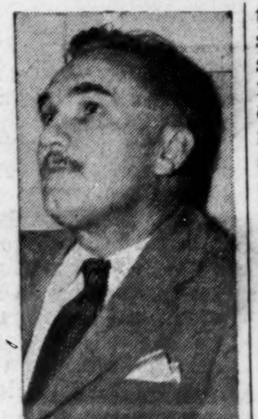
*These items appeared in our issue of Feb. 26, on pages indicated.

From Washington Ahead of the News

By CARLISLE BARGERON

Your correspondent is somewhat bewildered as he sets about to write this piece, because after spending the day checking up on the prospects of the manpower bill in Congress, he encountered a panhandler, the first one we had run into since Pearl Harbor when, a great boom came on, and since when, as we understand it, the "working class" have been sitting on the top of the world. "Full" employment which could not be worked out in eight years and some $45 billion of Government expenditure was finally accomplished, and a great economic easing came to everybody except those in the armed forces, and to a great majority of them.



Carlisle Bargeron

This is by way of saying that the United States Senate was never in such a sweat in all of its collective life. There are not more than 10% of the members of the House who wanted to vote for the bill as it passed that body. But the squeeze was upon them. The military leaders said it was necessary. Not more than these same ten per cent thought it was, but what are they to do when the men are conducting the war, tell them seriously that it is necessary. Even then they hoped the Senate would kill it off and they depended upon the Senate to do this very thing.

The Senate has been stalling. Those who want to go along with the Administration have been stalling. They have hoped that something would happen in Europe to make the bill unnecessary, or rather to destroy the arguments for the bill. Against their attitude the Administration has come forward with the argument that the bill will be even more necessary after VE day. Their argument is, in effect, that all, or most of the people who have been working in these war plants, are patriots who want to get back to their homes or to the security of less paying jobs as soon as the emergency ends. The Administration forces contend that they will consider the emergency ended when VE day comes.

This runs counter to the experience of the personnel offices in these war plants who find that the overwhelming majority of these workers have been drawn into these plants because of the high wages, that a tremendous number of them are from the farms, are women and young girls; people who never in their lives before made such money. It also runs counter to our students of the post-war problems who insist that these tremendously increased and high wage earners will insist upon making this same money after the war; it also runs counter to the proposition in the legislation, sponsored by

(Continued on page 969)

Lofty—and Silly!

"In the Americas, we must put an end to the Dantesque spectacle of men without homes, eaten away by tuberculosis, malaria, malnutrition and silicosis. An end must come in America to the somber picture that cannot be described in words—of the jobless man who, in the midst of his country's indifference, goes home night after night clenching his fists, without bread for his children. . . .

"The coexistence of free, prosperous peoples with slave, poor peoples must be canceled definitely. . . . This American world must face once more, and with even greater danger, a renewal of the radical struggle between ideologies. . . . Peoples in desperation go to the extreme Left, Governments to the extreme Right. . . . Lest a catastrophe of tremendous implications is invited, there is only one answer to the enormous power of abundance and distribution—the very great consuming power of the masses. Let us organize it in America."—Ezequiel Padilla, Foreign Minister of Mexico.

These sentences are taken from an address which some reports from the scene describe as the "highlight" of the opening days of the inter-American sessions in Mexico City.

As an emotional appeal the address was apparently excellent. As an expression of high hopes and lofty ideals it was doubtless most effective.

As an attempt to outline feasible means by which such ideals could be realized it was hardly better than silly.

It was, however—all of it—quite in tune with the times.

And, according to despatches from the scene, it was addressed primarily to the United States—whence, obviously, came its inspiration.

American Tariff League Issues Declaration of "Principles and Policy"

If the United States is to hold a position of constructive leadership among nations after the war, as envisaged in the Crimea and other recent international conferences, it must maintain a strong internal economy, the American Tariff League declared on Feb. 25.

In its new 2,500-word declaration of "Principles and Policy," the League pointed out that the basic requirement for a strong internal economy is a high degree of production. This, however, cannot be assured if the American producer loses the American market. The League said:

"In the United States, high wages and low prices are most likely to be possible when the volume of production is high. Volume cannot be high if the domestic producer loses the American market."

The declaration, which was made public by League Secretary Bertrand W. Hall, is divided into three principal sections: (1) What We Believe about Government and Business, (2) Economic Principles, and (3) Program. Included in the program are recommendations with respect to legislation and other measures for international economic cooperation involving changes in United States tariffs.

"Production, the chance to work and the American standards of living must be safeguarded from all forms of unfair competition from other nations," the League said in its statement, which adds:

"Tariff protects jobs and production by providing partial assurance against destructive competition from nations with lower standards of living.

"Government subsidies, differences in taxation, control of shipping, all forms of dumping, manipulation of money values and exchange are all elements in competition outside the control of our industries. These uncontrolled factors, in addition to lower levels of income and living, cannot be met by effective production alone."

Tariffs will play an important role in United States post-war economy, the League believes. Their abolition at this time and the substitution of free-trade would lead to a lowering of living standards in this country. The statement continued:

"Were complete free-trade introduced into the world, the standards of living of the nations would, like water, seek a common level. The standard of living in the United States, now the highest in the world, would obviously have to sink to reach the common level."

The possibility of lowered tariffs in the future, however, is not overlooked.

"As levels of income, wages and living go up in other countries," the statement went on, "our need for tariff and other controls should be less."

Until then, some measure of protection for American producers and American workers should be maintained.

While the League favors a healthy and mutually profitable export and import trade and hopes to see all nations of the world increase their standards of living, "it holds as a primary principle," the declaration states, "that, in the consideration of any phase of international trade, the standards of living, the means of production, the production and the employment so provided in the United States shall not be unduly sacrificed."

Since 1934, the League pointed out, the United States has reduced more than 1,200 of its tariff rates, approximateliy half of them by the full 50% allowable under the Reciprocal Trade Agreements Act. "This," the statement declared, "has been a drastic lowering of our tariffs unequaled by any other great trading nation."

The League favors international trade rules "which will increase the flow of needed goods between nations without subjecting any nation to unfair competition." However, in any program for international economic cooperation which involves changes in United States tariffs, it believes, the following principles should govern this country's action:

"No further change in tariff should be made which will result in undue injury to an efficiently and economically conducted domestic production in agriculture or industry.

"In such an exchange of concessions, no United States duty should be reduced, except in exchange for a reasonably equivalent reduction in tariff from each other nation to whom the reduced United States rate is given.

"In considering what is a proper rate of United States duty, there should be taken into account the difference in wages of this and competing countries, as such are reflected in unit cost of production.

"The principle of flexibility in United States tariff rates to meet unforseen changes in the conditions of world competition, should be restored to full operation.

"An effort should be made to remedy the present unintended discrimination against higher-cost nations, caused by our use of foreign value as the basis for assessment of ad valorem duties. The use of some form of domestic value as the basis on which to compute ad valorem duty would at least result in each foreign competitor being obliged to pay the same amount of duty money on a given quantity of goods, the same as he does in the case of specific duties."

Renewal of Relations Between U. S. and El Salvador Announced

The renewal of relations between the United States and the Government of El Salvador was announced on Feb. 19 by Acting Secretary of State Grew. Associated Press accounts from Washington in reporting this said:

The State Department announced that the American embassy at San Salvador had been instructed to resume normal diplomatic relations with the administration.

The action, which it is assumed is part of a general recognition of El Salvador by other American Governments, should clear the way for that country to attend the Inter-American Conference at Mexico City.

Mr. Grew's statement, said special advices to the New York "Times" Feb. 19, recalled that the provisional President of El Salvador resigned Oct. 20, 1944, and that the powers of government were then assumed by Col. Osmin Aguirre y Salinas.

From the "Times" we also quote:

"Consultations," he said, "were immediately initiated by the American Republics under Resolution 22 of the Advisory Committee for Political Defense at Montevideo to detemine whether the change of government had been brought about through Axis influence. While these consultations elicited no charges that the new regime had thus come in power, they demonstrated there was no consensus in favor of recognition on the grounds that the stability of the Aguirre regime was not assured."

The announcement said that the consultations now showed that El Salvador's Government fulfilled the requirements for recognition, which involved control of the machinery of government and the country, general support without active opposition, and its declaration of intention to fulfill its international obligations and ability to do so.

A cablegram to the "Times" from Havana on the same date said: "The Ministry of State today announced Cuban recognition of the Salvadorean Government. This action was taken 'as a contribution to American solidarity,' the official note said."

The State of Trade

From the news coming to hand the home front is due for a severe jolt in the months ahead, and our civilian economy will experience the tightest conditions insofar as civilian goods shortages are concerned, beginning with the month of April and running through May and June, of any period since the outbreak of the war. The peak of these shortages is expected to be reached by late summer.

In the week past the Army and the WPB jointly decided upon a policy to curtail civilian production, and the impact of their decisions will not be fully felt by the public until some time in the future, since the details will be released gradually over a period of weeks. Because of this, their significance will not readily be comprehended by the public.

The step taken at this time is irrevocable, since production schedules for the quarter have been drawn up and the signal already given to start the machinery in motion. To modify the decision at this time would only result in confusion and chaos.

The picture for the immediate future is rather depressing, as the steps being taken not only affect individuals in a personal way but vital industries as well, which are the very warp and woof of our whole war effort. The railroads are a case in point, and under the present plan they will be allotted 30% less steel than the minimum urgently needed by them.

The carriers have done and are presently doing a magnificent job in support of the war effort, and their rolling stock, track and other equipment are developing increasing signs of the heavy burden that has been imposed upon them. Repairs are urgent to meet the task that lies ahead in coping with heavy transcontinental movements of troops once the war in Europe ends. In the field of transportation, however, the railroads are not alone affected by the plan, since trucks and repair parts of all types of motor vehicles will also be cut much below essential requirements. Farm and food processing machinery, too, will be shaved to 17% below minimum essential needs, it is understood, placing an extra burden on the production of food. So it holds along the line, permeating the whole fabric of our economy.

The disturbing feature of the new policy is the fact that a large portion of minimum essential requirements, as set forth by the WPB through its Office of Civilian Requirements, will not be met, thus impairing our domestic economy to the extent that it will find it difficult to meet the increasing demand of war goods for our armed forces. The main reason for this drastic cut in domestic requirements is reflected in reports which indicate that the Army has embarked upon a buying spree based upon the prospective needs in Europe and for the full prosecution of the war in the Pacific.

The Army harbors the feeling that the American people will be disposed to leave war work once the battle for Germany is over, and hence their desire to build up what they consider adequate stocks of goods to wage an all-out war in the Pacific when the decisive moment arrives.

It is a precaution being taken by the Procurement Division of the Army, but in attacking the problem in this way it is taxing the civilian machinery to the utmost when it is not necessary, according to practical production men who are in a position to know the facts. By so doing, these experts contend, the Army is weakening the ability of our economy to meet important war needs at a later date. Notwithstanding the advice and proven experience of these men of industry, especially in view of the blunders of military men in the past with respect to production and supply problems, the Army continues to dominate the situation.

Industrial output remained at a high level the past week, with further recovery noted in steel operations, carloadings of revenue freight, anthracite, crude oil and paper production, while electric power output declined fractionally, along with moderate reductions in bituminous coal and beehive coke production. Commodity prices moved slightly upward the past week, while Dun & Bradstreet's food price index displayed a slightly lower level for the week. Security markets continued their upward movement into new high ground in heavy trading.

Steel Industry—Present indications point to a decline in steel order volume through the first half of February of from 20% to 30% less than in the corresponding January period. This decline, however, is not in itself significant in appraising the steel delivery situation, since such a decline, even if continued at the same rate, will have little or no effect upon already overextended deliveries, states "The Iron Age" in its current summary of the steel trade.

Much of the order volume in recent weeks has outdistanced the steel industry's capacity to produce, and the WPB this past week found on its hands requirements for more than 140,000 tons of sheets which it cannot schedule for several months, even with the aid of directives. To further illustrate the effects of the increased tempo of production for war on the steel industry, tens of thousands of tons of new sheet business has been turned away in the past week, the trade paper discloses.

As for delivery schedules, drum sheets are filled through to the end of this year, with no earlier promises than December for galvanized sheets. Carbon bars have become so tight that November deliveries are being promised. So far extended are orders for many steel products some steel sources doubt that they will ever be completed especially if the war in Europe should suddenly end.

The directive situation whereby the WPB attempts to get prior delivery on urgent war material over the routine allotment of regular war steel business is becoming more chaotic. However, the danger of a complete breakdown of the present method of scheduling steel orders may not be as close as some sources believe. The fact that many projects were cut back last fall when victory in Europe appeared imminent has caused a far larger safety factor in the form of inflated war demands than eventual needs will probably prove necessary. Nevertheless, such a precaution is jusified in waging a war of such gigantic proportions. Present orders on the books, even though later found to be unnecessary, do, today, represent realities.

According to the magazine, the shell steel production directive is expected to be boosted again in March, with the increase in tonnage considerable. Such an expansion is considered significant in that it will make it more difficult to honor allotment tickets for rails, semi-finished steel and structural products.

Recently the domestic steel market had its first taste of foreign steel competition. Amer-

(Continued on page 967)

Ayres Sees End of European War Approaching And Ushering in Readjustment Period

Regards Decision to Leave Military Stocks in Europe as Equivalent to Increase in Export Trade

Making the statement that "each day it becomes increasingly clear that the war in Europe is approaching its end," Brig.-Gen. Leonard P. Ayers, Vice-President of the Cleveland Trust Co., in the company's "Business Bulletin," Feb. 15, said:

"When the end is reached that event will constitute the most important piece of business news since war broke out in Europe in 1939. Despite the fact that we shall still have another great war to carry through to victory, the ending of the war in Europe will usher in the beginning of the period of readjustment that will finally lead us back into a civilian economy."

In his comments Gen. Ayres views a decision to leave most of the stocks of military supplies in Europe as "equivalent to a huge increase in our export trade financed with our funds." His observations on this point follow:

"Probably our military authorities will move troops as rapidly as they can from Europe to the Orient without undertaking at the outset to move with them any large proportion of their stocks of reserve munitions and equipment. This may save time and shipping, and it will have the further effect of keeping our munitions industries operating at full capacity in order to re-equip and re-supply the armies. In addition it will enable the armed services to retain for an extended time their controls over civilian industry.

"If matters do work out about that way, the shift-over to the production of civilian goods, and the revival of civilian construction, will be slower than was being generally assumed a few weeks ago. There will be less unemployment in the near future resulting from cut-backs and terminations of munitions contracts, but more unemployment later on when the war with Japan ends. Another general result will be that the multiple controls over the civilian economy will be longer extended and more strictly administered than had been assumed.

"In economic terms a decision to leave in Europe most of the vast stocks of military supplies that we have been accumulating there during the war years is equivalent to a huge increase in our export trade financed with our funds. The armies that move from Europe to the Orient will have to be re-equipped and resupplied, and that will require as much sustained industrial output here as would the production of an equivalent volume and value of manufactured goods made for export trade. The procedure that is proposed will greatly increase the volume of our exports without involving any corresponding expansion in the volume of our imports."

Eccles Asks Speculation Tax to Cure Inflation

Chairman of Federal Reserve Board Tells Senate Banking Committee a Tax on Speculative Gains in Real Estate and Stocks Should Accompany Continued Price Controls and a Balanced Federal Budget After War. Testifies in Behalf of Bill to Reduce Minimum Cash Reserves of Federal Reserve Banks.

Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve Board appeared before the Senate Banking Committee on Feb. 20 in support of a bill to reduce the present minimum cash reserve requirements of the twelve Federal Reserve Banks from the present 40 per cent in gold certificates against Federal Reserve note circulation and 35 per cent in gold certificates and or lawful money against demand deposits, to a reserve of 25 per cent in gold certificates against combined note and deposit liabilities. In his testimony Mr. Eccles expressed opposition to changing the price of gold, as a substitute measure, and maintained that the ratio of the gold reserve to liabilities of the banks had little relation to inflation, pointing out the British and Canadian banks had suspended all gold reserve requirements and that they have had less inflation than in this country. He ascribed any inflation that we have now as due mainly to the Government deficits.

According to an Associated Press dispatch printed in the New York "Times", Mr. Eccles answered Senator Murdoch's suggestion that it might be more advisable to lower the price of gold, by saying that such a step "would give the rest of the world a profit of $8.5 billions immediately on the gold held." Mr. Eccles also pointed out that there were large foreign bank balances in this country, and these would be immediately converted into gold, if the price were increased.

In relation to the problem of post-war inflation, Mr. Eccles held that the danger might be reduced if the Federal budget were balanced directly after the war, and if price controls and allocation of scarce materials were continued for a period of about two years. He also proposed, as an anti-inflation measure, that "a gains tax" be levied so as to eliminate speculation, which he believed would be partly responsible for post-war inflation. Mr. Eccles also expressed himself in favor of continued export controls directly after the war to prevent an excessive amount of purchases by foreigners of goods in this country.

Market Transactions In Govts. in January

During the month of January, 1945, market transactions in direct and guaranteed securities of the Government for Treasury investment and other accounts resulted in net sales of $67,475,000, Secretary Morgenthau announced on Feb. 15.

The following tabulation shows the Treasury's transactions in Government securities for the last two years:—

1943—		
February	$90,300,000	sold
March	72,927,750	sold
April	400,000	purchased
May	35,200,000	sold
June	145,768,000	sold
July	67,757,200	sold
August	15,800,000	sold
September	2,651,600	sold
October	No sales or	purchases
November	$5,000,000	sold
December	4,800,000	purchased
1944—		
January	$9,924,000	sold
February	105,100,000	sold
March	11,500,000	sold
April	16,511,300	sold
May	9,965,000	sold
June	20,500,000	purchased
July	18,484,000	sold
August	18,992,500	sold
September	28,100,000	sold
October	*	
November	5,900,000	sold
December	12,000,000	sold
1945—		
January	$67,475,000	sold

*Less than $50,000 sold.

Post-War Plan to Stabilize Bldg. Activity

A post-war construction plan to stabilize building activity at $15,400,000,000 a year, about $4,000,000,000 higher than ever attained, was offered on Feb. 13 by the National Planning Association, according to Associated Press advices from Washington on that date, which said that:

"NPA proposed a 'timed public works program' which could be used quickly to stimulate private construction or put off when private activity neared the $15,000,000,000 mark and showed signs of over-building and speculation."

The Associated Press further said:

"The Association is composed of representatives of Government, business, labor, science and professions.

"Tax relief, both for home owners and real estate corporations, was recommended as a stimulant to investment. This was contained in a report prepared for NPA by Miles L. Colean, a construction authority. It recommended that home owners be allowed to deduct from personal income tax the depreciation of their dwellings. The corporations should be relieved of part of their triple tax load—taxes on the property itself, taxes on corporation earnings and taxes on earnings received by the stockholders.

"Several new Government agencies were suggested—principally an information bureau to keep industry posted on building needs and trends and to warn when construction saturation is threatened in any area.

"Another is a proposed 'public works control authority,' responsible for 'planning and acquiring sites' and then to determine the time for construction.

"The report advocated full advance planning and designing, even to the purchase of project sites before the war ends.

"'If a timed program of public works had been used during the depression,' he said, 'the total drop from peak activity would have been only about 30% instead of 70%, with no additional outlay by the Government.'

"The figure of $15,000,000,000 as the stabilization point was chosen by Mr. Colean as appropriate to the $140,000,000,000 national income which the NPA declares needed for full post-war employment. Labor members of NPA dissented from this figure, estimating the new construction level should be nearly $3,000,000,000 higher.

"Maintenance and repair work would add about $5,000,000,000 more to the construction activity, Mr. Colean said."

Personal Support Remittances to Italy

It was announced on Feb. 19 by Postmaster Albert Goldman that information had been received from the Post Office Department, Washington, that facilities are now available for transmission, through the medium of banking institutions, of personal support remittances for individuals in the Italian provinces of Ancona, Arezzo, Livorno, Perugia, and Siena, to the cities of Florence and Pisa, and to those portions of the provinces of Firenze (Florence) and Pisa south of the Arno River. It is further indicated that:

"Remittances to the areas above-named will be sent through the Bank of Italy and payment instructions will be sent by mail to that bank by correspondent banks in the United States. In general, the procedure to be followed is the same as in the case of remittances to other parts of liberated Italy, for which arrangements previously have been made."

Turkey Declares War on Axis Thus Winning Seat at San Francisco Security Conference

Following the action of the Turkish Government in declaring war on Germany and Japan on Feb. 23, Syria and Egypt have since followed Turkey's action. In Ankara, Associated Press advices Feb. 23, it was stated that Turkey declared war on Germany and Japan in order to win a seat at the world-security conference to be held at San Francisco on April 25, and ended a five-and-a-half-year-old policy that had veered between neutrality and non-belligerency.

From these press accounts we also quote:

"Foreign Minister Hasan Saka asked for the declaration in an address to a specially convened session of the Assembly. Prime Minister Sukru Saracoglu closed the debate with a supporting speech, and the Assembly voted unanimously for war against the Axis.

"Saka's proposal to the Assembly followed the presentation, on Feb. 20, of a memorandum from the British Ambassador stating that it was decided by the Big Three at the Crimea conference that only nations at war with the Axis powers before Mar. 1 would be invited to the San Francisco conference.

"The Foreign Minister said other 'associated nations' were told similarly that they would have to declare war on the Axis to qualify for San Francisco, naming them as Egypt, Iceland, Chile, Ecuador, Paraguay, Peru, Uruguay and Venezuela.

"Saka's speech and others left no doubt that Turkey's declaration of war was a direct outgrowth of her desire to participate in the San Francisco conference as a full-fledged member of the United Nations. Premier Saracoglu said flatly that 'we want to take our place officially among the United Nations.'

"Shortly before he spoke to ask for the war vote Saka signed with United States Ambassador Laurence A. Steinhardt a formal lend-lease agreement which had been under negotiation for several months.

"The lend-lease signature on the same day that Turkey went to war was a coincidence, but Turkey's lend-lease shipments may now be augmented if Turkey proceeds from the declaration to positive military action."

The action of Syria was indicated in the following (Associated Press) from Damascus (Syria) on Feb. 26:

"The Chamber of Deputies voted a declaration of war against Germany and Japan today making Syria the third nation of the Middle East to take such action in four days.

"The vote followed a 20-minute speech by President Shukri el Kuwatly, who asserted that, since the beginning of the war, Syria had placed all her resources at the Allies' disposal and now wished to take an active part. A brisk debate ensued, but the vote showed majority support for the Government's bill declaring war.

"Reports from Beirut indicated that Lebanon was likely to join the Allies soon."

The Turkish Government's action on Feb. 23 was followed by the Egyptian Government the next day when it issued a royal decree to similar effect. Egypt's declaration of war against Germany and Japan was approved on Feb. 26 by both Houses of Parliament. The Government also obtained a vote of confidence.

Unveil Bust of Hull

Former Secretary of State Cordell Hull was called the greatest Secretary of State of all time and the outstanding contemporary world statesman by Governor McCord of Tennessee on Feb. 21 in accepting for the State a marble bust of him. The bust, sculptured in Italian marble by Bryant Baker of New York, was unveiled by the Governor's wife.

Shaw Calls Crimea Conference a Fairy Tale

George Bernard Shaw, on Feb. 22, writing for the Left Wing weekly "Forward," described the Crimea conference as an "impudently incredible fairy tale," and said that President Roosevelt, Prime Minister Churchill and Premier Stalin were "the three, the three-in-one, the one-in-three," according to a United Press dispatch from Glasgow, Scotland, on Feb. 22, which also had the following to say, according to these advices as given in the New York "Herald Tribune":

"We know the names of three-in-one," he said, "but who was the one-in-three? Clearly Uncle Joe. On the Polish question he was first and the rest nowhere. Lublin has beaten London hands down, and Washington has looked on, not knowing what to say.

"There are other Lublins and other Londons, and will be more of them. Stalin will be for Lublin every time; and what Stalin says is so far the voice of destiny.

"Churchill and Roosevelt are not nonentities. Their disadvantage is that whereas Stalin, being Communist, has made up his mind, these two are up to the waist in Fascism (private enterprise plus public capital and regulations), and don't know it."

Shaw saw little chance for Russian concessions at the United Nations Conference in San Francisco. "On the 25th of April," he said, "the Russo-Japanese four-year non-aggression treaty expires, and another conference begins in San Francisco. Will Stalin declare war on Japan as the price of surrender of the other two over Lublin?

"Not a word about it. Fairy tales, fairy tales, fairy tales.

"I for one should like to know what really passed at Yalta. This will all come out 20 years hence, when Stalin writes his war memories as Lloyd George did. But I shall not then be alive. I shall never know."

Coe Director of Treasury Div. of Monetary Research

Secretary Morgenthau announced on Feb. 19 the appointment of Frank Coe to be Director of the Treasury's Division of Monetary Research, a position formerly held by Dr. Harry D. White who was recently made Assistant Secretary of the Treasury. The Treasury announcement says:

Mr. Coe returns to the Treasury from the Foreign Economic Administration where he has been Assistant Administrator. He has held a number of other positions in the Government, including that of Executive Secretary of the Joint War Production Committee of the United States and Canada, Economist for the National Advisory Defense Commission, and the Federal Security Agency, and Special Assistant to the U. S. Ambassador to Great Britain. He was Technical Secretary General to the International Monetary Conference held in Bretton Woods last year. Mr. Coe first entered the Treasury in 1934 and has served there in a number of positions including that of Assistant Director of Monetary Research.

Mr. Coe is a native of Richmond, Va., was educated in the University of Chicago, and has served on the staffs of Johns Hopkins University, the Brookings Institute and the University of Toronto.

The Financial Situation

(Continued from first page)

Farm Land

The fact of the matter is that for the most part these upward movements in values are a direct result of New Deal policies and war practices and conditions. Increased activity in farm real estate, and higher prices, have been observed and reported for some years past. But in rather unusual degree farm land has been purchased by men who intend to live on it and farm it. In no small measure the purchasers have been former farm tenants. The sellers have often been active farmers, but it was not the rule that they sold to speculators who expected to resell quickly for a profit. It may well be questioned whether capital gains taxes upon profits obtained by speculating in farm real estate — that is, speculating in the usual meaning of that term—would have had a nickel's worth of effect upon the course of the farm real estate market during the past few years. The fact is that farmers and would-be farmers have been making more money than for a long while past — possibly more than they ever made before—thanks to New Deal subsidies and to war conditions. They have been bidding land up. Sellers as a rule have long been owners.

Urban Homes

Evidence abounds, too, that urban homes have been changing hands much more frequently during the past year or two and that prices are higher. Evidence, however, is lacking that speculation has had a great deal to do with it—at least with the situation as it affects low priced homes, which one supposes the Chairman had in mind. Here again the fact is that a great many people in the lower income brackets have been earning more than they have ever earned before. They, too, have been more disposed to buy homes. In most cases they could not build. There is little or no reason to suppose that anybody has been buying and selling such homes as a matter of speculation. Buyers, as a rule, intend to live out their lives in them —and sellers rather often have been owners who came into possession of them through foreclosure or some other related process some years ago.

The Stock Market

And the stock market? Here is a market place which is peculiarly susceptible to psychological influences, and to imponderables of many varieties. He would be a rash soul who undertook to say what would have occurred in this market had some such tax been imposed all along as Chairman Eccles now suggests. Yet it is a well known fact that the main support of the stock market for years past has been the investor—that is the individual or the institution which buys for cash and intends to hold at least until some reason to sell emerges. Mr. Eccles is nowhere explicit as to the tax he is suggesting. It would, accordingly, be impossible to know whether it would interfere with such transactions as those we have just been describing or not. If it did, in any event, it could scarcely be construed as a constructive influence. Similar taxes in the past have often tended to render owners disinclined to sell even when they considered prices high — and thus been responsible for inflated values. And is Mr. Eccles prepared to say that the stock market in normal times can well serve the investor if the professional speculator is eliminated?

But all such immediate considerations to one side, does Mr. Eccles really believe that the speculator should be eliminated from the economic system? Let no one answer such a question by long accounts of the abuses which have been perpetrated upon the public by unscrupulous individuals, who have been labeled "speculators." We are naturally well aware of these careers. A few of them contributed almost nothing to the American nation. Others, even when their activities have not always conformed to American ideas of ethics, have contributed a good deal more to the public than they ever took from the public. But all this neither destroys nor builds the case for speculation. In commodities, in securities, in real estate, and in almost all other departments of our economic life there is room for the man who makes it a practice to take risks—and in doing so renders a very real service to mankind. Some of these would not be affected by Mr. Eccles' tax suggestions. Others would either be eliminated, or driven underground, as it were.

Larger Aspects

But there are larger issues involved. Mr. Eccles apparently would seek some means of preventing the prices of things the public wants from rising, but, like so many other New Dealers, has no interest in preventing the cost of these things from rising. Stable prices with rising costs can end only in reduced production, unemployment and sooner or later want and misery—particularly for the very elements in the population which seem to be most on the minds of the officials in Washington. Take, for example, the matter of urban homes, of which Mr. Eccles speaks. He says that they have risen 40 to 50% in price since the war began. Have these prices risen as much as the cost of producing new homes? If not, then there is no excess in present prices—unless there is good reason to expect construction costs to decline when the war is over. All the New Dealers tell us how much more housing is needed. We do not always agree with them, but it is clear enough that very considerable amounts of new construction will be needed when the war is over. How will it be achieved if the house when completed is not permitted to be worth what it costs?

The New Dealers, Mr. Eccles included, would do well to reconsider their ideas about post-war prices.

December Surplus War Property Disposal Listed

The Surplus Property Board announced on Feb. 6 that in the month of December four disposal agencies disposed of $27,701,000 of surplus war property, at 59% of cost or appraisad value. Disposals by the Reconstruction Finance Corporation amounted to $14,748,000 and brought 47% of cost; the Procurement Division of the Treasury Department, $12,105,000 and 75.4% of appraised value; the United States Maritime Commission, $754,000 and 42% of cost; and War Food Administration, $94,000 and 27.7% of cost. Included in this total were $1,412,000 disposed of to other U. S. Government agencies and $1,619,000 for Lend Lease.

The Board's report of Feb. 6, continued:

"This rate of disposal compares with surplus war property acquired in December by these four agencies, together with Foreign Economic Administration and National Housing Agency, amounting to $217,656,000.

"Inventories of all six agencies on Dec. 31 amounted to $1,041,711,000. Aircraft and related equipment accounted for $704,149,000. Because of their heavy construction and high operating costs, many of the 22,786 planes which constitute the aircraft inventory will have virtually no commercial use.

"In addition to the $1,041,711,000 inventories held by the disposal agencies, almost another billion dollars of surplus is already in prospect. The War Department has been screening, to determine if it is surplus to its needs, excess property, contractor-owned termination inventories and idle plants and facilities totaling $562,000,000. The Navy is screening $91,000,000. Idle plant and facilities held in standby condition by Defense Plant Corporation, plants used as storage disposal centers, and plants for which operating agreements had been or were about to be terminated amounted to $329,000,000.

"In the seven months June 1 to Dec. 31, disposals by the six disposal agencies amounted to $162,865,000. In addition, the reported cost of War Department direct disposals during that period amounted to $280,880,000. War Department sales of scrap and salvage brought $52,882,000. Of the $22,652,000 sales made by the Navy direct, $19,903,000 was scrap and salvage. The activities of the disposal agencies, plus those of the Army and Navy, thus bring total surplus property disposals by all Federal agencies to $519,279,000 in the seven months to Dec. 31.

"The RFC is the disposal agency for capital and producer goods, including plants, equipment, many types of raw materials and other industrial property, as well as aircraft and aircraft components. In the month of December, surplus property costing $14,748,000 was disposed of by RFC for $6,877,000, or 47% of cost. Aircraft and related equipment accounted for $4,547,000 and metal working machinery $4,289,000. In the seven months, June 1 to Dec. 31, surplus property which cost $80.621,000 brought $48,528,000, or 60% of the reported cost. These disposals constituted 8% of the total declared surplus. Aircraft and related equipment accounted for $17,943,000, metal working machinery $16,870,000, construction materials $9,976,000 and special industry machinery $4,246,000.

"In the seven months to Dec. 31, RFC received declarations of surplus property, mainly from the War Department, of $953,754,000, four times the amount received by all other disposal agencies and 12 times its own disposals. Aircraft and related equipment, which stood on the RFC books at $704,149,000 on Dec. 31, represented 77% of its $916,593,000 inventory. Aircraft and related equipment disposed of in the seven months amounted to 2% of the total available. Surplus planes that have been in demand to date are communication planes, primary trainers, small cargo planes, medium transports allocated to domestic and foreign airlines and light civilian type planes. The strongest demand has been for the light civilian type planes that were requisitioned from their former owners after Pearl Harbor for use in preliminary Army and Navy training programs. Most of the latter type have been sold. The larger planes, heavy bombers and fighters, which constitute the bulk of the aircraft inventory, will have virtually no commercial value. Some of the planes in this category available for disposal are not flyable, and some have not been certificated by the Civil Aeronautics Administration.

"The Procurement Division of the Treasury Department is the disposal agency for consumer goods. Primarily because of limited civilian production, such things as motor vehicles, textiles, leather, apparel and footwear, and furniture and fixtures have been disposed of rapidly and year-end inventories of such items are low in relation to recent disposals. Surgical and medical supplies, drugs and medicines and automotive parts have turned over less rapidly.

"In the month of December, consumer goods brought $9,144,000, or 75.4% of the $12,105,000 appraised value of property sold. Included in this total were goods sold to U. S. Government agencies, including FEA (Lend Lease), which brought $1,630,000, or 76% of the $2,145,000 appraised value. The December total also included $1,504,000 to State and local governments and tax-supported institutions. Sales to all others, chiefly industry and commerce, brought $6,010,000.

"The disposal of automotive vehicles, the leading activity of the Procurement Division, has fallen off during the past two months, due to the fact that the Army is retaining supplies of vehicles that had been expected to be declared surplus. Disposals of motor vehicles in December were $4,063,000, compared with $4,741,000 in November and $6,814,000 in October. Owing to the acute demand, the majority of motor vehicle sales have been at ceiling prices. Sales of waterproof garments, overcoats, uniforms and obsolete Army shoes have been active, much of it going to Lend Lease.

"In the seven months, June 1 to Dec. 31, total consumer goods disposals brought $62,761,000, or 83% of the $75,680,000 appraised value of property sold. Included in this total were $13,836,000 sold to U. S. Government agencies, included FEA (Lend Lease) a sales figure which represented 91% of the $15,258,000 appraised value. Total disposals constituted 42% of the consumer goods available. During the same period, Treasury Procurement Division received declarations of property appraised at $152,649,000, of which $40,408,000 represented motor vehicles and parts. On Dec. 31, total inventory having an appraised value of $105,841,000 included $16,798,000 of motor vehicles and parts.

"War Food Administration's disposals of surplus food have been confined to that turned over to it by other owning agencies, principally the Army and Navy. On Dec. 31, only $85,000 of such property, mainly canned foods, remained in its surplus inventory. During the month of December, sales of food costing $94,000 were made for $26,000, or 27.7% of cost. In the seven months to Dec. 31, total sales of food costing $238,000 brought $144,000, or 61% of cost.

"Summarized below are the inventory figures as of June 1, which was the date disposal agencies began to function under Surplus War Property Administration regulations, the acquisitions and disposals and percent disposed of during the seven-month period and the inventory remaining, by agencies, on Dec. 31, 1944.

(In Thousands of Dollars)

	June 1 Inventories	Acquisitions	Disposals	Percent Disposed of	Dec. 31 Inventories
Treasury Procurement	$30,221	$152,649	$77,029	42.1	$105,841
Reconstruction Finance Corp.	43,460	953,754	80,621	8.1	916,593
Maritime Commission	----	23,908	4,975	20.8	18,933
Foreign Economic Adminis.	----	95	2	2.1	93
War Food Administration	----	323	238	73.7	85
National Housing Agency	----	166	----	0	166
Total	$73,681	$1,130,895	$162,865	13.5	$1,041,711

President Roosevelt Stresses Need of United Support of All Good Citizens to Effect Peace

A message from President Roosevelt, read at the Tammany Victory Dinner at the Hotel Commodore in New York, on Feb. 17, referring to the efforts of the Allied Powers toward achieving "an early victory and lasting peace," cited the need of "the united support of all good citizens" to that end. United States Senator Robert F. Wagner was a guest of honor at the dinner. The President's message, read by James W. Gerard, former Ambassador to Germany, and toastmaster, was given as follows in the New York "Herald Tribune":

"The victory which the Democratic County Committee of New York will celebrate Saturday night carries with it a tremendous responsibility. Our national election was held in the midst of a global war and the victory dinner comes at a time when statesmen of the Allied Powers are devoting all of their thoughts and all of their resources to the achievement of an early victory and a lasting peace. In this great task we shall need the united support of all good citizens. It gives me great pleasure to pay heartfelt tribute to Vice-President Truman and Bob Wagner and my warmest personal greetings to all who gather in their honor."

Sees Serious Farm Problem Ahead

Guaranty Trust Company Says Post-War Agricultural Maladjustments Will Be Similar to Those Following Previous War. Urges Rebuilding Foreign Markets and Development of New Uses for Farm Products

In the current issue of the "Guaranty Survey," the monthly review of business published by the Guaranty Trust Company of New York, it is pointed out that one of the most difficult questions that will face the United States after the war will be the problem of agriculture. The maladjustments due to the war and the troublesome changes which will be required as a part of the war's after-effects present the same problems and difficulties which American agriculture experienced in the '20s and '30s, and which were largely responsible for the economic distress of that period.

"The experience of the last quarter-century," comments the "Survey," "is a sufficient reminder that agricultural maladjustments can be among the most troublesome after-effects of war, and already the present conflict has produced some conditions similar to those that proved to be forerunners of trouble in the '20s and '30s. The unhappy record of those years offers little prospect that a quick, comprehensive and generally acceptable solution will be found, but it does afford grounds for the hope that a repetition of some past mistakes can be avoided."

A Vital Question

"The welfare of the farmer," it continues, "is a matter of vital concern to every division of commerce and industry. Agriculture provides virtually all of the nation's food supply and the greater part of its industrial raw materials. It is the direct means of subsistence for a fifth of the population, and the money income it yields is a major factor in determining the demand for the products of mines and factories. Over most of the country's area, it is the direct or indirect support of the great majority of the people, the foundation on which the whole economic and social structure rests. The severe and persistent agricultural difficulties that followed the last war were, in the opinion of many authorities, among the principal contributing causes of the great depression of the 1930s.

"The many remedies that were tried during the inter-war period failed to provide an enduring basis for agricultural welfare. Some were outright failures, while others brought partial relief only by creating new problems. Tariff protection, market regulation, new credit mechanism, cooperative marketing, equalization fees, export debentures, domestic allotments, governmental buying and selling, production control, marketing quotas, crop loans, export and domestic subsidies—these and other experiments and proposals have left the problem so far from final solution that conferences within the last few weeks have revealed as wide a divergence of opinion as ever among public and private authorities concerning the best means of dealing with the matter.

Effects of the War

Commenting on the effects of the war, the "Survey" remarks:

"In agriculture, as in business and industry generally, the war has largely obscured the fundamental situation by giving rise to a new set of temporary and highly abnormal conditions. It has created a volume of demand that has taxed the physical capacity of our farms, a level of farm prices considerably above the long-sought 'parity' (the ratio of farm to non-farm prices prior to World War I), and an unprecedented total of farm income. It has relieved the wheat and corn surpluses and reduced the cotton surplus. It has, for the time being, transformed our agricultural economy as a whole from one of superabundance to one of relative scarcity; and it has done this by swelling domestic and foreign demand so rapidly that even a large increase in supply has not sufficed to keep pace with it.

"In one important respect, the trend during the present war has contrasted sharply with that in the period of World War I. The increase in supply during the last five years, though much greater than that in the first World War, has been achieved with only a small fraction of the acreage expansion that was necessary in the earlier period. The rise in production has been made possible by more intensive cultivation, and particularly by the greater use of mechanized equipment.

Possible Dangers

"The present war has, however, brought a repetition of one potentially dangerous condition that appeared during and after the last war. Values of farm land have risen rapidly, and the rise in values has been accompanied by a great increase in sales of farm property. For the 12-month period that ended in March, 1944, voluntary sales totaled 53 per 1,000 farms, exceeding the previous peak reached in 1919 during the land boom after the close of the first World War. Fortunately, this rapid change of ownership has not yet reversed the downward trend of mortgage indebtedness. As the Federal Reserve Board has recently pointed out, a reversal of this trend, together with a continued increase in land values, would constitute a serious threat to agricultural stability during the post-war period.

"The war has brought about another condition that may aggravate the farm problem after the emergency demand has passed. In its efforts to increase agricultural output, the Government has given price guarantees that will remain in effect for two full years after the end of the war. These guarantees will presumably cover at least the next three annual harvests. Producers of corn, wheat, tobacco, rice and peanuts are guaranteed a price equal to 90% of parity, and producers of cotton a return equal to 92½% of parity. Most other farm products that have been in urgent demand during the war are covered by guarantees of at least 90%; some such products are actually being supported at prices as much as 30% above parity, and the stabilization extension act provides that where prices of certain commodities were above the present parity at any time during the first nine months of 1942, the highest price reached during that period must be maintained.

"Unless demand remains at a very high level during the early post-war years, it is difficult to see how these price guarantees can be maintained without production control on a much wider scale than has ever been practiced in the past. As long as farmers are assured of high prices for their crops, it is not likely that they will voluntarily and individually reduce their output to much lower levels. Unless the Government adopts sweeping measures of control, therefore, it is likely to find itself confronted with a set of unmanageable surpluses. To institute control on such a wide scale, it will be necessary to create new administrative machinery and probably to pay benefits greatly exceeding those that were required before the war, despite the high levels of farm prices and farm income.

"It is hardly necessary to point out that these price guarantees will be far from helpful in promoting the efforts of American agriculture to regain its foreign markets. Already it has been found necessary to introduce export subsidies on wheat and cotton. If world prices decline after the war, even larger subsidies may be required to dispose of the surpluses that seem likely to accumulate in this country.

"As far as the domestic market is concerned, the question arises as to the attitude of industrial workers toward high food prices at a time when their own aggregate income will be reduced by the cessation of the abnormal employment conditions of wartime. Even now important labor groups are demanding higher wage rates to offset the rise in the cost of living. The prospect of declining wage payments at a time when food prices are still held at artificial levels by Government guarantees is not reassuring."

The Outlook

Commenting on the outlook and the remedies that may be applied, the article concludes:

"These conditions, however, will presumably be temporary; and, even though the cost may be high, their effects can perhaps be survived without serious permanent damage. But their passing will leave the farm problem, in its long-term aspects, at least as far from solution as it was before the war intervened. Even if the question could be considered on purely economic grounds, a satisfactory answer would be difficult to find. Complicated as it is by political factors, it will probably continue to be handled, as it has been in the past, by a series of temporary expedients designed more to pacify powerful and exigent groups than to place agriculture on an enduringly sound basis.

"There are, of course, a number of rather obvious guiding principles that can and should be followed. Foreign trade policy as a whole should aim at the rebuilding of foreign markets for American farm products through general reduction of trade barriers. New and increasing uses for farm products probably can and will be found. Diversification and self-sufficiency, particularly for smaller farms, should be encouraged. Costs of production should be reduced through further mechanization and other improvements in methods. Agricultural policy should be based on the recognition that, with technical progress, a declining farm population and a rising average output per worker are inevitable; and provision should be made for absorbing marginal workers in other pursuits.

"These are theoretical objectives, rather than practical steps. How they are to be attained, or approached, is the question that public authorities must face within a comparatively brief period after the war. The most that can be hoped is that they may be consistently borne in mind as fixed aims underlying day-to-day expedients, that legislative and administrative action may be shaped after full consultation with those experienced in the practical activities that are factors in determining the economic position of agriculture, and that in consequence our agriculture may gradually move toward a permanently tenable relationship with the other divisions of our economic life."

Extension of Social Security Program Recommended by Life Insurance Interests

Recommendations for extension of coverage of the country's Social Security program to many millions of workers now excluded, and of other changes to strengthen the program's effectiveness were advanced on Feb. 20 by representative committees of the life insurance business. These recommendations were presented through release of a statement on Social Security prepared by a joint committee of the American Life Convention and the Life Insurance Association of America, headed by M. Albert Linton, President of the Provident Mutual Life Insurance Company, and a committee of The National Association of Life Underwriters, headed by Judd C. Benson, General Manager Union Central Life Insurance Company, Cincinnati.

While endorsing the principle of social security and recognizing the social and economic value of the system, the committees advise against changes in the system which would impair the will to work, or would be so costly as to affect adversely the soundness of the nation's over-all economy.

The statement, issued through the Institute of Life Insurance, makes the following recommendations:

"Extension, wherever feasible, of the coverage of old age and survivors' insurance to all those gainfully employed groups not now covered, including agricultural and domestic workers, government employees, railroad workers, employees of non-profit organizations and the self-employed.

"A thorough review of processes by which benefits and eligible status are determined under old age and survivors' insurance. For example, the present minimum benefits of $10 a month month might well be raised to, say, $20 a month ($30 per aged couple), subject to appropriate safeguards, with no increase in the present top limit of $85 a month.

"Close study as to how best to safeguard the interests under old age and survivors' insurance of men and women in the armed forces, and of persons who continue to work after age 65.

"Extension of old age and survivors' insurance to provide benefits for total and permanent disability after age 55, thereby making allowances for the fact that some workers become prematurely old in the sense that they can no longer work.

"Extension, wherever feasible of unemployment compensation protection to all groups of workers, with the exception of self-employed and possibly employees of non-profit organizations where the added weight of payroll taxes on these institutions might restrict their operations.

"Study of the practicability of having unemployment compensation benefits related, in part, to the number of dependents of a married worker.

"Continued experimentation by the States with merit rating in financing unemployment benefits before arriving at a positive conclusion as to the relative weights of its advantages and disadvantages.

"A moderate increase in the maximum number of weeks for which unemployment compensation is paid if and when the financial position of State plans permit, rather than shortening of the waiting period or an increase in the level of benefits."

The statement calls for a reexamination of the entire problem of financing old age benefits It characterizes as unsound proposals that Social Security taxes should be increased to combat inflation or to help finance the war. The way to protect the system, it says, is to determine Social Security taxation policy by the needs of Social Security only.

Recommending that a committee of qualified persons appointed by Congress to review the financial question fully, the statement says:

"This review is particularly desirable owing to the fact that a reserve fund of $6,000,000,000 has already been accumulated and is rapidly increasing on account of the current heavy excess of income over outgo. Furthermore, with up-to-date estimates of benefit payments, a revised tax schedule should be developed which would make it unnecessary for Congress to go through what now appears to be an annual process of deciding what the next year's tax rate is to be. By setting the schedule, say for a three or five-year period, and by providing for periodic review, the situation would be much more satisfactory than at present."

The statement urges great caution in considering proposals to increase the level of unemployment benefits, declaring that, if enacted, they may endanger the will to work. It cites the Beveridge report in Great Britain as giving recognition throughout to the importance of the fundamental principle that Social Security benefits must not impair incentives to work and save, and declares that the principle that Social Security benefits should not be above subsistence levels is particularly applicable to unemployment compensation. The committees express grave doubts as to the wisdom of experimenting with any extension of unemployment compensation to cover temporary disability occasioned by accident and sickness. They recommend that temporary disability coverage be continued and encouraged on a voluntary basis, and declare that, if any Government experimentation is to be tried—and there are grave doubts as to its wisdom—this should be at the State and not the Federal level.

The joint committee representing the American Life Convention and the Life Insurance Association of America is composed of: O. J. Arnold, President, Northwestern National Life Insurance Co., Minneapolis; Rollin M. Clark, Vice-President and Secretary, Continental Assurance Co., Chicago; W. T. Grant, President, Business Men's Assurance Company of America, Kansas City; Reinhard A. Hohaus, Associate Actuary, Metropolitan Life insurance Co., New York City; A. J. McAndless, President, The Lincoln National Life Insurance Co., Fort Wayne; Edmund M. McConney, Vice-President, Bankers Life Company, Des Moines; M. Albert Linton, President, Provident Mutual Life Insurance Company of Philadelphia, Chairman.

The committee representing The National Association of Life Underwriters is composed of: William H. Andrews, Jr., Manager, Jefferson Standard Life Insurance Co., Greensboro, N. C.; President, The National Association of Life Underwriters; Osborne Bethea, General Agent, The Penn Mutual Life Insurance Co., New York City; Patrick A. Collins, Manager, Metropolitan Life Insurance Co., New York City; Philip B. Hobbs, Agency Manager, The Equitable Life Assurance Society, Chicago; Herbert L. Smith, General Agent, The Northwestern Mutual Life Insurance Co., Harrisburg; Judd C. Benson, General Manager, Union Central Life Insurance Co., Cincinnati, Chairman.

Living Costs In United States Unchanged in January

Living costs for the average family of wage earners and lower-salaried clerical workers in the United States remained unchanged from December to January, according to the National Industrial Conference Board's report issued on Feb. 21 which further said:

The Board's index stood at 105.7 (1923=100), the highest level since January, 1926, and 22.9% above that of January, 1941, base month of the Little Steel formula.

A decline of 0.2% in the cost of food was offset by increases of 0.2% in clothing and 0.1% in sundries. Living costs in January were 1.7% higher than a year ago.

Taft Objects to Army's Action in Use of 18-Year-Old Draftees for Overseas Combat

Calling upon the War Department to clarify and state its policy on using 18-year-old draftees with less than a year's training in overseas combat, Senator Robert A. Taft (Republican) of Ohio, on Feb. 25 told a reporter that he would cite in the Senate the case of Pfc. Robert R. Pogue of Cincinnati, 18, who was reported killed in action in France Feb. 3, a little more than seven months after his induction.

The Associated Press, reporting this from Washington, Feb. 25, said:

Mr. Taft, who knew young Pogue, said he was informed that the youth received 17 weeks of training before he was shipped overseas as a replacement early in January.

"I don't think it's fair to put these young boys into the front line with only basic training or a little more," the Ohio Senator said. "I know that war makes sudden demands, but it seems to me that some of the divisions in this country could be combed for men who are a little older and have had more training to make up these replacements."

Mr. Taft said his own son had received 14 months of training before being sent overseas, adding that the final few months had taught him most of the "know how" to minimize the dangers of battle.

Senators Ferguson, Republican of Michigan and McCarran, Democrat of Nevada, also said they had received protests from parents of reputedly green troops being pressed into combat service.

Last June 7 the War Department set up a general policy that the infantry and armored forces would use no men under 19 in combat and would attempt to give all of these a year's training.

On Dec. 7, however, Robert Patterson, Undersecretary of War, said that urgent military requirements had necessitated a revision of this policy, but that in general a minimum of about eight months would elapse between induction and combat service.

Mr. Taft said he thought the War Department should explain now whether those standards had been changed and indicate the military necessity for any changes that had been made.

On Feb. 26 Senator Hill (D.,-Ala.) contended that the War Department is justified by military necessity in sending 18-year-old draftees into combat with eight months of training. Replying to a demand by Senator Taft for clarification of the Department's policies, Senator Hill said he was informed the young inductees were shipped overseas only after the Army had drained all of the men it could from more experienced divisions in training in this country.

From Associated Press Washington accounts, Feb. 26, we also quote:

The War Department found it necessary to draw on these youngsters as replacements," Mr. Hill told reporters. "In most cases they have been given eight months of training and then placed in battle-tried divisions, where their more experienced comrades could help them in combat."

Undersecretary of War Robert Patterson said in December that the Army had been forcel to dip into the pool of 18-year-old men, but gave assurances that all replacements had adequate training.

Limited Mail to Finland

Postmaster Albert Goldman announced on Feb. 19 that information had been received from the Post Office Department at Washington, D. C., that limited mail service is resumed between the United States and Finland, Estonia, Latvia, Lithuania, part of Poland, and Bessarabia, part of northern Bukovina, and localities in Moldavia. The service for Poland, Finland, Estonia, Latvia and Lithuania will be limited to letters not exceeding one ounce and non-illustrated postcards. From the announcement we also quote:

The postage rates are five cents for letters and three cents for postcards.

Air mail, registration, special delivery, money-order and parcel post services are not now available.

Mail for certain areas in Poland may be delayed because of military operations, and mail will not be accepted for localities in the Polish provinces of Pomorze and Kotowice, parts of which are still held by the enemy.

Mail for Bessarabia and part of northern Bukovina and certain places in the district of Dorohoi in Moldavia should include in the address "Union of Soviet Socialist Republics" as the country of destination, all of these areas being subject to the jurisdiction of the Union of Soviet Socialist Republics.

A Treasury Department announcement in the matter appeared in our Feb. 22 issue, page 860.

Asks for Full Account on Foreign Affairs

Senator Hugh Butler, Republican of Nebraska, called upon President Roosevelt and the State Department on Feb. 26 to "make a full accountancy to Congress upon what is actually taking place" in foreign affairs. At the same time he assailed "the secrecy in which foreign discussions have been conducted," according to a special dispatch to the New York "Times" from Washington on Feb. 26, from which the following is also taken:

"His (Senator Butler's) speech in the Senate carried forward a movement to obtain from the President a verbal report on the Crimea conference to supplement the official announcements. Congress, he declared, had given to the President unqualified support and allowed him a free hand and in return was being kept in the dark.

"He charged that there were many things in the Crimea and Dumbarton Oaks decisions to indicate that 'the Government has no policy at all and is simply floundering in a maelstrom of events which is forcing our hand everywhere and making our policy for us.'

"He asserted that on the surface the decisions at Yalta appear to have been taken 'independent of our consent' and expressed the fear that the Dumbarton Oaks accord would set up a 'grandiose supergovernment' by which 'the world is to be policed by four or possibly five great Powers which will control the destinies of the smaller States.'

"The official report of the Crimea conference, he declared, indicated that we had countersigned the unilateral actions of our allies.

"He recalled that at the Moscow conference the Powers had pledged themselves not to use their armies in territories of other nations without agreement. Violations of this pledge, he suggested, might be due to the 'unfortunate lack of clarity in our own foreign policy' and 'lack of faith in the glittering abstractions' of former conferences.

"Unilateral actions by the Powers, he asserted, had 'plainly shown our allies' lack of confidence in world security,' since they occurred not before but since the Moscow conference and the conference of Dumbarton Oaks.

"He spoke of President Roosevelt, Marshal Stalin and Prime Minister Churchill as the 'three men who, for good or for ill, hold the destinies of the world in their hands.'

"State Department officials pointed out that they were conducting a vigorous campaign by radio and by speeches at meetings to inform the public on the details of the Dumbarton Oaks proposals.

"The Chamber of Commerce of the United States, through its board of directors, adopted today recommendations for incorporation in the Dumbarton charter.

"It urged that the Security Council have authority to use national force contingents without regional limitations, that use of forces of the United States involve consultations of high officers of the State Department, the Army and the Navy and other departments, and that the title 'charter' should be changed to 'covenant' or 'compact' to show that the organization was an association and not a super-State."

Further Rent Control In Defense-Rental Areas

Control of residential rents were established in 17 more defense-rental areas on March 1, 1945, in accordance with an announcement by the Office of Price Administration on Feb. 21. On March 1 also a portion of one area was removed from control, and five areas regrouped for administrative purposes. The OPA advices Feb. 27 also said:

"In the Cheyenne (Wyo.) defense-rental area, which now includes all of Laramie County, control will be removed from all of the county except the city of Cheyenne proper and its immediate environs.

"Control is being removed since administrative experience has shown that outside of Cheyenne and the immediate vicinity no problems exist necessitating control. The population of the entire county, a large one geographically, is only 33,651, of which 22,474 is concentrated in Cheyenne. There are no towns of 1,000 population in that portion of Laramie County being removed from control.

"The new areas have a 1940 census population of 700,000, and include Vicksburg, Miss., Raleigh and Winston-Salem, N. C., and Billings, Mont.

"The March 1 action will make a total of 444 defense-rental areas in all parts of the nation under OPA control, with a total population of 93,000,000.

"Two areas being regrouped are in New Mexico. The regrouping will place Otero County in the Roswell Defense-Rental Area, along with Chaves County. Otero County formerly comprised the area known as Alamogordo. Lea County is being removed from the present Roswell area to form, with Eddy County, the Carlsbad Defense-Rental Area.

"In New York, the Watertown and the St. Lawrence County areas are being combined to form a new Watertown Defense-Rental Area.

"In Texas the Amarillo Defense Rental Area is being split up. The new Amarillo area will be composed of Potter and Randall Counties. A new area is being formed consisting of Dallam, Hansford, Hartley, Moore and Sherman Counties, to be known as the Dalhart Defense-Rental Area. The counties in this area were formerly in the Amarillo area."

House Passes George Bill Separating RFC From Commerce Department

Taft Opposes Wallace Confirmation

The bill sponsored by Senator George calling for the separation of the Reconstruction Finance Corporation from the Department of Commerce was passed by the House on Feb. 16 by a vote of 399 to 2. The Senate passed the George bill on Feb. 2 by a vote of 74 to 12, as was indicated in our issue of Feb. 8, page 655. Shortly before the House voted to pass the bill on Feb. 16 it was noted in Associated Press advices from Washington on that date that the Administration escaped defeat by a hair's breadth margin of eight votes when the House voted 204 to 196 not to recommit (shelve) the bill. These press advices further said:

The Senate is due to vote March 1 on the Wallace nomination. Wallace backers predict he will be confirmed, whereas most legislators believed that if the George bill had not passed he would have been rejected.

Senator Barkley of Kentucky, majority leader, told a reporter late today:

"It is obvious that the action of the House in passing without amendment the George bill greatly improves the chances of Mr. Wallace's being confirmed by the Senate as Secretary of Commerce.

"I hope now that this matter has been settled that his confirmation will be forthcoming without further serious controversy."

In today's uproarious session, a coalition of Republicans and Southern Democrats sought in vain to send the George bill back to the House Banking Committee for further study. The aim was to force the Senate to vote on Mr. Wallace's confirmation not only as Commerce Secretary but also as RFC administrator.

In this big test on the issue, 200 Democrats, two Republicans and two minor party members voted to save the George bill, while 22 Democrats, mostly Southerners, joined 174 Republicans in the rejected recommittal effort.

On final passage the only two votes against the bill were by Representatives Lemke (Rep., Ind.) and Wilson (Rep., Ind.).

Senator Taft (Rep..) of Ohio declared that President Roosevelt had forfeited any right to Senatorial courtesy by what he termed the "cynical" removal of Jesse Jones to reward Wallace for political services, and he urged the Senate to reject Mr. Wallace's nomination for Secretary of Commerce. From the Associated Press we quote:

"The Ohio Senator told his colleagues that, by passage of the George bill separating the Government lending agencies from the Commerce Department, 'Congress has shown overwhelmingly its lack of confidence in Mr. Wallace to administer any position where extensive powers and large sums of money are at his disposal.'

"Although Senator Taft thus renewed the Senate fight against confirmation of the former Vice-President, indications pointed to an approval of the appointment when it comes up March 1. In the meantime, President Roosevelt is expected to permit the George bill to become law."

Senator Taft contended on Feb. 19, said the Associated Press, that Henry Wallace's plans for Government aid in a post-war economy of 60,000,000 jobs will "lead to national bankruptcy and a totalitarian State."

Machinery for Veterans Business Loans Under GI Act Set Up in N. Y. Loan Agency of RFC

The necessary machinery for processing applications by veterans of World War II for business loans under the Servicemen's Readjustment Act of 1944 (G. I. Bill of Rights) was recently set up in the New York Loan Agency of the Reconstruction Finance Corporation, it was announced by Thomas J. Ahearn, Jr., Manager. The New York Loan Agency territory comprises the entire State of New York, the following Counties in New Jersey: Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Passaic, Somerset, Sussex, Union and Warren, and the County of Fairfield, Connecticut. Mr. Ahearn's statement followed an announcement from Washington, D. C., that the Veterans Administration had designated the Reconstruction Finance Corporation as an Agency to review applications to banks by veterans for the guaranty of business loans. Under the program, RFC will recommend to the appropriate office of the Administrator of Veteran's Affairs whether that office should approve or disapprove such applications. Mr. Ahearn's announcement said:

"Loans applied for may be used in purchasing any business, supplies, equipment, machinery or tools to be used by the veteran in pursuing a gainful occupation. The Government may guarantee repayment of such loans to the extent of 50%, but not in an amount exceeding $2,000 as its maximum guaranty. Thus, the veteran who qualifies for a business loan may obtain a guaranty for 50% of any loan up to $4,000. He may, of course, obtain from his banker a loan of greater amount, for instance, $6,000; but the guaranty is limited to $2,000. In loans of less than $4,000, the Government guarantees half; thus, in a $3,000 loan the guaranty amounts to $1,500, not more."

Mr. Ahearn outlined the following essential steps for veterans desiring guaranteed business loans: 1. The veteran should first contact his local banker. 2. If the veteran is unable to obtain a loan from his local banker, he should then apply to his nearest RFC Loan Agency for a loan. The address of the appropriate agency for this region is 70 Pine Street, New York 5, N. Y.

UNRRA Document Made Available by Columbia

The International Documents Service announces the first publication of the United Nations Relief and Rehabilitation Administration, distributed in the United States by Columbia University Press at 2960 Broadway, New York. This document, it is announced, embodies the second UNRRA meeting held in Montreal in September, 1944, and represents a self-contained and complete record of the important decisions of the United Nations Relief and Rehabilitation Administration since its inception.

The bulk of the text, it is indicated, consists of the reports and discussions of each daily session. In addition, the Journal contains: a complete cumulative guide to more than 200 documents; a directory of delegations to the Montreal meeting; a directory of the UNRRA staff; the official text of resolutions passed at the first session of the Council at Atlantic City in November, 1943; an appendix of additional special reports not included in the text of the daily Journal.

The publication, consisting of 215 pages, is priced at $2.00.

The State of Trade

(Continued from page 962)

ican mills, in at least one instance, gave way to British competition in sales to the Canadian railroad equipment industry. One such order, a substantial one, the "Iron Age" disclosed, originally placed with an American mill, was canceled last week because of better delivery promised by England.

The American Iron and Steel Institute announced last Tuesday that the operating rate of steel companies (including 94% of the industry) will be 94.3% of capacity for the week beginning Feb. 26, compared with 96.4% one week ago. This week's operating rate is equivalent to 1,732,700 tons of steel ingots and castings, compared to 1,765,700 tons last week and 1,746,500 tons one year ago.

Electric Production—The Edison Electric Institute reports that the output of electricity decreased to approximately 4,472,298,000 kwh. in the week ended Feb. 17, 1945, from 4,505,269,000 kwh. in the preceding week. Output for the week ended Feb. 17, 1945, was 0.9% below that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 184,200,000 kwh. in the week ended Feb. 18, 1945, comparing with 218,600,000 kwh. for the corresponding week of 1944, or a decrease of 15.7%.

Local distribution of electricity amounted to 176,100,000 kwh., compared with 208,100,000 kwh. for the corresponding week of last year, a decrease of 15.3%.

Railroad Freight Loading—Carloadings of revenue freight for the week ended Feb. 17, 1945, totaled 783,738 cars, the Association of American Railroads announced. This was an increase of 28,302 cars, or 3.7% above the preceding week this year and an increase of 9,501 cars, or 1.2% above the corresponding week of 1944. Compared with a similar period of 1943, an increase of 31,719 cars, or 4.2%, is shown.

Coal Industry—The Solid Fuels Administration, U. S. Department of the Interior, in its latest report, places total production of soft coal in the week ended Feb. 17, 1945, at 11,515,000 net tons, a decrease of 765,000 tons from the week previous. Production in the corresponding week of 1944 amounted to 12,390,000 net tons.

According to the U. S. Bureau of Mines, output of Pennsylvania anthracite for the week ended Feb. 17, 1945, was estimated at 1,129,000 tons, an increase of 12,000 tons, or 1.1% over the preceding week. When compared with the corresponding week in 1944, a decrease of 303,000 tons, or 21.2%, is reflected.

Beehive coke for the week ended Feb. 17, 1945, showed a decrease of 11,700 tons above the previous week, but was 42,400 tons less than for the similar week of 1944.

Crude Oil Production — Daily average gross crude oil production for the week ended Feb. 17, as estimated by the American Petroleum Institute, was 4,780,670 barrels. This represented an increase of 40,550 barrels per day above the preceding week, and was 23,870 barrels above the daily average figure recommended by the Petroleum Administration for War for the month of February, 1945. When compared with the corresponding week last year, crude oil production was 396,170 barrels per day higher. For the four weeks ended Feb. 17, 1945, daily output averaged 4,742,850 barrels.

Reports from refining companies indicate that the industry as a whole ran to stills (on a Bureau of Mines basis) approximately 4,787,000 barrels of crude oil daily and produced 14,910,000 barrels of gasoline. Kerosene output totaled 1,503,000 barrels, with distillate fuel oil placed at 5,023,000 barrels and residual fuel oil at 9,234,000 barrels during the week ended Feb. 17, 1945. Storage supplies at the week-end totaled 49,265,000 barrels of civilian grade gasoline, 45,415,000 barrels of military and other gasoline; 7,762,000 barrels of kerosene; 29,864,000 barrels of distillate fuel oil, and 48,240,000 barrels of residual fuel oil.

Lumber Shipments — The National Lumber Manufacturers Association reports that lumber shipments of 475 reporting mills were 2.5% above production for the week ended Feb. 17, 1945, while new orders for these mills were 17.7% more than production. Unfilled order files amounted to 98% of stocks.

For the year to date, shipments of reporting identical mills exceeded production by 6.0% and orders ran 17.4% above output.

Compared to the average corresponding week of 1935-39, production of reporting mills was 43.5% greater, shipments 26.9% greater, and orders 46.4% greater.

Paper Production — Paper production for the week ended Feb. 17 was 91% of capacity, as against 90.1% of capacity for the preceding week, the American Paper and Pulp Association's index of mill activity disclosed. The rate during the week ended Feb. 19, last year, was 89.2% of capacity. As for paperboard, production for the same period was reported at 93% of capacity, unchanged from the previous week.

Silver—The London market was unchanged at 95½d. for basis .999 silver. The New York Official for foreign silver continued at 44¾c. and 70⅝c. for domestic silver.

Business Failures—Commercial and industrial failures in the week ended Feb. 22 dropped to less than half their number in the comparable week of last year. Concerns failing, Dun & Bradstreet, Inc., reported, numbered 14, as compared to 23 in the previous week and 36 a year ago. Failures in manufacturing and commercial service reflected the sharpest decline, while in retailing and construction they were higher than the previous week. Large failures with liabilities of $5,000 or more numbered six, as against 13 a week ago and 24 in the like week a year ago. There were no Canadian failures reported for the week ending Feb. 22, as compared with three in the previous week and one in the corresponding week of 1944.

Food Price Index—The Dun & Bradstreet wholesale food price index for Feb. 20 fell slightly to $4.10 from $4.11 a week previous, the highest since the war-time peak of $4.12 was reached on May 18, 1943. The current figure compares with $4.03 recorded on the corresponding 1944 date, or a rise of 1.77%. Advances during the week occurred in flour, wheat, rye and sheep, while declines were registered in oats, eggs, steers and lambs.

The index represents the sum total of the price per pound of 31 foods in general use.

Commodity Price Index—Leading commodity markets during the week moved slightly upward, largely reflecting the recent advance in basic pig iron quotations. According to Dun & Bradstreet, Inc., its daily wholesale commodity price index touched a new war-time high of 176.11 on Feb. 14, and closed at the same level on Feb. 20, contrasting with 175.50 a week earlier and with 172.37 on the comparative date a year ago.

General firmness characterized grain markets the past week, reflecting the possibility of favorable Congressional action regarding farm legislation. Cash wheat was in good demand, with supplies tight and prices holding at or near ceilings throughout the week. Domestic cotton markets exhibited a moderate pick-up in trade activity, accompanied by a strengthening of the price undertone. With current market values still well below the level at which the CCC will buy from growers, cotton continued to move into the Government loan and purchase programs at a good rate, giving rise to fears of an increasingly tight spot situation as the season advances. Mill consumption of cotton during the first half of the current season was reported by the Census Bureau to be about 4% less than that for the same period a year ago.

New business in domestic wools in the Boston market remained on a restricted basis, with activity again confined largely to the exercising of options on orders previously placed. Spot and shortly-to-arrive foreign wools were in demand, but offerings of desired lots were very scarce.

Retail and Wholesale Trade—Consumer demand for the country as a whole continued strong the past week, with sales slightly above the previous week. Volume has moderately held above that of last year, but higher prices account for a considerable part of the gain, Dun & Bradstreet currently reports. Shortages of merchandise in various lines has produced a spotty condition in the field of distribution. Reports reflect growing evidence of a continued contraction of retail inventories induced by reason of manufacturers' inability to meet merchandise needs, slow deliveries, as well as some selectivity by retailers in acquiring stock replacements. Shoe retailers experienced a brisk demand the past week, with odd-lots released from ration restrictions. Women's wear and accessories were active, Dun & Bradstreet reports, with suits and coats outstanding lines as promotional activity, the resulting volume being heavy. Inventories of men's wear stores showed improvement in the week, with receipts of spring merchandise sizable during the past 10 days.

Housefurnishings sales held at a steady level, due to no improvement in the supply situation. Sheets, towels and other white goods continued scarce and moved rapidly as soon as they appeared on department store shelves. Sales of fabrics still hold at a high volume, but shortages in cottons and other staple lines are fast developing throughout the country. Food distribution continued active, with the volume on a par with that of last year.

Retail volume for the country was estimated from 10% to 14% over a year ago. Regional percentage increases were: New Englan, 6 to 8; East, 8 to 12; Middle West, 14 to 16; Northwest, 8 to 10; South, 12 to 15; Southwest, 18 to 20; Pacific Coast, 15 to 18.

Wholesale volume was slightly below last week's level, with initial ordering in markets slackened, and though re-orders were numerous they were more difficult to place. Deliveries continued to constitute the main problem of buyers. In spring goods, deliveries have already been large, but schedules in many lines have shown further slackening.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, were 24% ahead of a year ago for the week ended Feb. 17, 1945. This compared with 21% (revised) in the preceding week. For the four weeks ended Feb. 17, 1945, sales increased 18%, and for the year to date by 14%.

Activity was present in retail trade here in New York the past week. It was, of course, natural to expect that the suspension of business on Thursday, and part of the evening of that day, because of Washington's Birthday, would have an effect on the comparative showing for the week. In the apparel trades the forthcoming maximum average price plan to be introduced by the Office of Price Administration is expected to pose greater problems for the trade than the low-price textile-apparel directive M-388. The supply situation in general continued to reflect extreme tightness.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Feb. 17, 1945, increased by 23% over the same period of last year. This compared with an increase of 19% in the preceding week. For the four weeks ended Feb. 17, 1945, sales rose by 18% and for the year to date by 12%.

Roosevelt and Churchill Meet With Rulers of Egypt, Ethiopia and Arabia

DeGaulle Fails to Meet President

Supplementing the "Big Three" Crimea Conference, held between President Roosevelt, Prime Minister Churchill of Great Britain and Premier Stalin of Russia, a further meeting was held by the President with Mr. Churchill, their talks bearing on strategy for crushing Japan in the Pacific, where it was noted in Associated Press accounts from Washington on Feb. 20, Russia officially continues her role as neutral power. The report on the "Big Three" Conference dealing with plans for the defeat of Germany, recommendations as to the liberated peoples of Europe and the establishment of an international organization to maintain peace and security, was given in our Feb. 15 issue, page 746.

The latest Roosevelt-Churchill meeting, the Associated Press indicated from Washington on Feb. 20, took place in Alexandria, Egypt, after the conclusion on Feb. 11 of the Big Three Conference at Yalta, Crimea, on the Black Sea.

From the Associated Press Washington advices of Feb. 20, as given in the New York "Sun," we also quote in part as follows:

"But another meeting planned by Mr. Roosevelt during his trip to see Mr. Churchill and Marshal Stalin did not come off—Gen. Charles de Gaulle, President of the Provisional Government of France, reported that official business would not permit him to meet the President at Algiers, French North Africa.

"In his first official comment on Gen. de Gaulle's rejection of his invitation, Mr. Roosevelt said:

"'Questions of mutual interest and importance to France and the United States are pending. I wanted very much to see the General before leaving for home.'

"The whole dramatic story of the President's journey through the Middle East after the eight-day Yalta conference was told today in a lengthy dispatch released by the White House.

"Aboard a United States man-of-war in Great Bitter Lake in the Suez Canal, Mr. Roosevelt received three storied rulers of Eastern countries—King Farouk of Egypt, Emperior Haile Selassie I of Ethiopia and King Ibn Saud of Saudi Arabia.

"The Roosevelt-Churchill conference at Alexandria, the official statement said, 'permitted new and important discussions of at least one subject which they could not take up before. That had to do with Japan and the war in the Pacific.'

"Mr. Churchill, the account continued, told Mr. Roosevelt 'in blunt words that his Government was termined to throw everything it had at the Japs as soon as Germany has been defeated and meanwhile, would do all it could to strengthen its forces already engaged in that conflict.'

"Algiers was described as the President's last stopping place abroad before leaving for Washington.

"The White House announcement said that Secretary of State Stettinius, en route from Moscow to make official calls in Liberia, Southwest Africa, Brazil and then to the inter-American conference in Mexico City, was waiting to see the President in Alexandria where he reported on meetings with Foreign Commissar Molotov in Moscow. The conferences were described as 'altogether satisfactory.'

"Ambassador John G. Winant also met the President in the Middle East, traveling by air from London.

"Two more Ambassadors, Jefferson Caffery, from Paris, and Alexander Kirk from Rome, were met by the President in Algiers.

"Mr. Roosevelt was reported to have brought the three Ambassadors up to date on all that took place in the Crimea Conference as well as to advise them fully regarding his meetings with the rulers of Egypt, Saudi Arabia and Ethiopia.

"At no time during his journey the statement said, was he beyond almost instantaneous reach of the White House or Washington officials.

"The invitation to Gen. deGaulle was said to have been given in Paris by Ambassador Caffery. It had been sent from Yalta, six days in advance of the President's arrival in Algiers. In the message Mr. Roosevelt said that he had hoped to meet Gen. de Gaulle in continental France, but that 'time pressure made it impossible to get to Paris, much as he would like to do so.'

"The President also expressed warm thanks for the invitation the Government of France extended him when he was in Quebec, attending the last conference there.

"Mr. Roosevelt's invitation concluded with 'an expression of real hope that the alternative proposal for a meeting in Algiers would be satisfactory to the French leader.'

"'The President was most disappointed that official business did not permit the General to come to Algiers,' the statement added.

"Aboard a man-of-war at anchor at Great Bitter Lake, Mr. Roosevelt received King Farouk shortly before noon. Guests included Admiral William D. Leahy, the President's chief of staff; Mrs. John Boettenger, the President's daughter, and Harry Hopkins, his special assistant. Haile Selassie was received later in the afternoon.

"It was in his talk with Haile Selassie that the President was said to have stressed communications between the United States and Ethiopia, particularly by air. The two countries would come to know each other better. The Emperor, the White House said, enthusiastically indorsed the President's hope for closer relations.

"In conversations earlier with the Egyptian King, Mr. Roosevelt referred to large American purchases of long-staple Egyptian cotton during the war. The White House said he 'stressed the hope that greatly increased exchange of other commodities would be developed in the future.'"

Stettinius Reaffirms the Good Neighbor Policy

(Continued from first page)

of the government of the United States this conference of American republics on the problems of war and peace. I bring to you the most cordial greetings of the President of the United States and of my great predecessor, Cordell Hull.

We have met here in beautiful and historic Mexico City because we—the people of the New World—are at a historic juncture in our own affairs and in our relationship to the rest of the world.

The vital interests of the American republics are equally involved in winning the war and in making the peace.

Reaffirms Good Neighbor Policy

The United States government looks upon this conference in Mexico City as a meeting of decisive importance. Our unity has been greatly strengthened by our war-time collaboration. Now it is our task to advance this unity still further, both for the war and in our political, economic and social collaboration in the tasks of peace.

I wish to reaffirm to the representatives of all the governments assembled here that the United States government regards the good-neighbor policy and the further development of inter-American co-operation as indispensable to the building, after victory, of a peaceful and democratic order. I wish also to reaffirm the belief of the United States that this democratic order must be built by all nations, large and small, acting together as sovereign equals.

II. I have just had an extraordinary experience that has driven home to me more sharply than ever before the significance of the fact that the world is now truly united in time and space.

A week ago I was in Moscow, where I paid a brief visit after we had completed our work at the Crimea Conference. Moscow is over 15,000 miles away by the route I came. In the short time since I left Washington, I have traveled 24,000 miles on the business of war and peace. I have flown over the North and South Atlantic Ocean and over points on five of the world's six continents—Europe, Asia, Africa and North American and South America. I have come from a conference about war and peace conducted on the shores of the Black Sea to another conference about war and peace meeting ten days later in Mexico City.

War and Peace Problems Not Local

Both are concerned with essentially the same problem. For they are no longer purely European problems of war and peace, or American problems of war and peace, or African, or Asian problems of this character. War anywhere in the world today threatens war throughout the world. Peace anywhere in the world today requires a whole world at peace. The prosperity and well-being and security of the peoples of the American continents are bound up with the prosperity and well being and security of the other continents and islands of the earth.

For a long time we relied for protection upon the oceans which surround these continents. Now we know that there are no barriers of sea or air or land that can separate us from the rest of the world. We have learned our lesson in two successive world-wide conflagrations which have destroyed our sons, consumed our wealth and interrupted our peaceful and creative purpose as disastrously almost as though their battles had been fought upon our prairies or in our cities.

And we are sure now what it is that must be done. It is not enough to stop war at our coasts—nor on the oceans that lie beyond our coasts. War must be stopped at the point, whatever point it may be on the surface of the earth, where war begins.

The Crimea Conference

III. Toward that end we worked at the Crimea Conference. Toward that end we are assembled here. May I, before I address myself directly to the tasks of this conference, say a few words about the meeting of the Crimea?

You have all read the communique of the Crimea Conference. You know that the unity of the three powers represented there was greatly strengthened, both for the war and for the peace.

A full measure of credit for this result belongs to the President of the United States, whose vision, courage, understanding and creative purpose were never displayed to better advantage. I want also to pay tribute to the other heads of government, Marshal Stalin and Prime Minister Churchill, and to the Soviet and British Foreign Secretaries, Mr. Molotov and Mr. Eden, with whom I worked in such close, friendly and effective collaboration at the conference. They have rendered distinguished service to the United Nations cause.

I reviewed the achievements of the Crimea Conference with the President of the United States when I met him again three days after we had left the Crimea. It is the President's firm conviction that the results of the Crimea Conference have greatly advanced the basic objectives of United States foreign policy.

Objectives of Inter-American Conference

My purpose tonight is to speak to you of our hopes of what may be accomplished here in Mexico City and of these basic objectives of our foreign policy.

IV. The earliest possible final defeat of the aggressors who plunged the world into war and so gravely threatened the security of this hemisphere is, I am sure, the first objective of the other American republics, as it is of the United States.

Military matters are, of course, not in my field, but it was generally agreed at the Crimea Conference that the military plans completed there in the closest co-operation by the chiefs of staff of the three powers—and the continuing three-power staff meetings there provided for—will shorten the war and thus save the lives of tens of thousands of United Nations fighting men.

Here at Mexico City the American republics have met to consider what further steps we can take together to that same end—helping to shorten the war.

The solid foundations of the war-time collaboration of the American republics were laid at the conferences of Montevideo and Buenos Aires in 1933 and 1936, and at Lima in 1938. In meetings at Panama, Havana and Rio de Janeiro after the outbreak of this war the intention and the capacity of our countries to implement our solidarity was fully demonstrated. We have acted together in accordance with the Declaration of Havana that an act of aggression against any American state is an act of aggression against all of us.

The American republics since 1940 have succeeded together in building up the defenses of this hemisphere to an extent never before dreamed of. Their military forces have co-operated in the war. They have increased greatly the military might of United States and other United Nations armed forces through their production of strategic materials that were transformed in our factories into the fleets of planes and tanks and ships which are carrying the war to the enemy.

The only hope that remains to the Nazi and the Japanese is that the United Nations might now relax their efforts in the belief that the war is as good as over. It is thus more important than ever before that we maintain and strengthen this active war-time collaboration of the American republics.

I have high confidence that our discussions here will result in co-operative action that will hasten the day of final victory.

Policy Toward Germany

The second major point I wish to make is this: I am certain that all of our countries will support as absolutely necessary to the future of the world and of this hemisphere the strong and sweeping policies toward Germany agreed upon at the Crimea Conference. This is what was agreed upon: "We are determined to disarm and disband all German armed forces; break up for all time the German general staff that has repeatedly contrived the resurgence of German militarism; remove or destroy all German military equipment; eliminate or control all German industry that could be used for military production; bring all war criminals to just and swift punishment and exact reparation in kind for the destruction wrought by the Germans; wipe out the Nazi party, Nazi laws, organizations and institutions; remove all Nazi and militarist influences from public office and from the cultural and economic life of the German people; and take in harmony such other measures in Germany as may be necessary to the future peace and safety of the world. It is not our purpose to destroy the people of Germany, but only when Nazism and militarism have been extirpated will there be hope for a decent life for Germans, and a place for them in the comity of nations."

So far as the United States is concerned this is a fundamental of our foreign policy. The world may rest assured that the United States, in full agreement with our allies, is inflexibly resolved upon whatever steps may be necessary to insure that neither Germany nor Japan will ever again have the military or industrial capacity to make war.

Dangers of Nazi-Fascist Infiltration

We of the Americas have another responsibility to fulfill in the destruction of Nazi-Fascism—a responsibility common to all of us. During the war we have through close cooperation achieved encouraging success in combating Axis economic and political penetration and in preventing Nazi and Fascist sabotage. But we have much yet to do. We still face the danger of secret Nazi-Fascist infiltration into the political and economic life of this hemisphere.

The Axis leaders will, of course, attempt to escape the consequences of their crimes. We must be constantly on the alert for the flight to this hemisphere of Nazi funds and Nazi underground leaders who will seek to find a refuge here that can serve as a base for an ultimate comeback.

The people of the United States are confident that the American republics will join in whatever co-operative measures may be necessary to stamp out utterly every vestige of Nazi influence in this hemisphere. That must be our unalterable purpose.

VI. At the Crimea Conference the Soviet Union and Great Britain joined the United States in a declaration on liberated Europe. This declaration provides for joint action by the three governments to assist the liberated peoples during the temporary period of instability in Europe "to destroy the last vestiges of Nazis and Fascists and to create democratic institutions of their own choice."

The three powers thus pledged joint action to uphold the right proclaimed in the Atlantic Charter of all peoples to choose the form of government under which they will live and the restoration of sovereign rights and self-government to those who have been forcibly deprived of them by the aggressor nations.

U. S. Contribution to Reconstruction

This is a third fundamental purpose of United States foreign policy. We intend to make our full contribution toward the building of a world in which the right of every nation to develop free institutions according to its own desires will be upheld. We look upon this purpose as part of the American faith which we have sought to practice in our relations with other peoples.

The United States will not shirk its responsibilities in seeing to it, so far as it is within our power, that this purpose is achieved.

The declaration on liberated Europe adopted at the Crimea Conference is animated by much the same spirit and purpose as the good-neighbor policy. We recognize that all nations are interdependent and that no nation can achieve peace and prosperity alone. We believe that all nations are equal before the law and that the equal rights of all nations, large and small, must be upheld.

World Peace Organization

VII. We are assembled here to discuss the creation at the earliest possible moment—and before the end of the war—of an international organization to insure the peace of the world, by force if necessary. This is a fourth major objective of United States foreign policy, as I am sure it is of the other American republics.

Largely because of the vision and leadership of Cordell Hull, we were able to lay the foundations last fall at Dumbarton Oaks. These proposals setting forth a plan for such an organization were agreed upon by the United States, the Soviet Union, Great Britain and China. Since then these proposals have been studied and discussed throughout the world.

At the Crimea Conference the last obstacle to calling a United Nations conference to adopt the charter for such a world organization was removed. The Soviet Union and Great Britain there agreed to the proposals presented by the President of the United States for voting procedure in the Security Council.

The United Nations conference, toward which we have been constantly striving, has therefore been called to meet at San Francisco, Calif., on April 25, 1945, just nine weeks from now. Invitations will be issued as soon as we have completed our consultations with China and France. who have been invited to join in sponsoring the conference.

The Dumbarton Oaks proposals recognize that the world organization has two tasks: First, to prevent aggression; and second. to reduce and remove the causes of war through close political. economic and social collaboration among all peace-loving peoples.

The proposals are designed to prevent lawless power politics and to use the power of the great nations in the interest of the peace and freedom of all nations. They are based squarely upon the principles of the Atlantic Charter and of the United Nations declaration, and they draw heavily upon the ideals and practices of the inter-American system, to which the statesmen of the American republics here present have contributed so much.

The agreement reached on voting procedure at the Crimea Conference recognizes the two essential elements of a successful world organization—unity of action by the great powers who alone have the military and industrial strength to prevent aggression; and the equal sovereignty of all nations, large and small, who must act together to create the essential conditions of lasting peace.

We have met here in order to carry further our discussions of the world organization before the United Nations conference at San Francisco. We will not, of course, in this inter-American meeting take decisions on questions of policy that will be explored by all the United Nations together at San Francisco.

The Inter-American System

However, we should, I believe, examine what steps need to be taken to strengthen the inter-American system for the major role which it should play in the world of the future.

Let me remind you that the Dumbarton Oaks proposals recognize the value, within the framework of a general organization, of regional arrangements for promoting peace and security.

The United States government believes that the stronger we can make the inter-American system in its own sphere of activity, the stronger the world organization will be.

VIII. There is another statement of purpose in the Atlantic Charter which was reaffirmed at the Crimea Conference—the purpose to build a peace "which will afford assurance that all the men in all the lands may live out their lives in freedom from fear and want."

I can assure you that the United States does not regard this as a rhetorical assertion of vague intentions. We regard it as a necessity if the United Nations are to build a peace that will endure.

We cannot, of course, accomplish this purpose over night. We can accomplish it only by establishing the world organization and by continuing an ever-closer collaboration among the nations of this hemisphere and among all nations toward a rising standard of living and wider opportunities for all men and women, regardless of race, creed or color.

Post War Collaboration

The United Nations, which have fought so successfully together against the Axis in this war, must join together in the years after victory in waging war with equal vigor and unity against hunger, poverty, ignorance and disease. The accomplishment of this purpose is the fifth of the fundamental objectives of United States foreign policy to which I have referred tonight.

Consideration of the practical steps that we can take together toward this end is part of the business of this conference, as it was in the Crimea and as it will be at San Francisco.

Here in Mexico City we are particularly concerned with the application of this policy in the Western Hemisphere.

The United States intends to propose and support measures for closer co-operation among us in public health, nutrition and food supply, labor, education, science, freedom of information, transportation and in economic development, including industrialization and the modernization of agriculture.

We are also faced with the immediate necessity of preparing to meet the many problems of transition from our war-time economic collaboration to the methods of peace-time collaboration.

U. S. Will Aid Other American Republics in Reconversion

It is the fixed purpose of the United States Government to undertake, in co-operation with the other American republics, to reduce to the minimum the inevitable dislocations of this transition period.

Adjustments will be required in the production of some strategic commodities, the output of which has been stimulated greatly by the common war effort. My government hopes that a program can be agreed upon by the nations here represented which will provide a basis for accomplishing this adjustment in such a way as to protect the economies of the American republics.

The war has placed many restrictive controls upon normal trade. During the transition period, which will begin after the defeat of Germany, we should relax these artificial wartime restrictions as rapidly as our primary objective of winning the war makes possible.

To Encourage International Trade

We must seek also positive measures to promote constantly rising levels of international trade among the nations of this hemisphere and among all nations—much higher than we ever enjoyed before.

Economically sound industrial development and the modernization of agriculture are essential to sustain these higher levels of trade and to fuller employment and rising standards of living.

This requires arrangements to assure reasonably stable rates of exchange and to promote international investment in profitable new enterprises which will increase the productive capacity of the countries of the Western Hemisphere as well as in other parts of the world.

We should take the necessary international action at the earliest possible moment. Supplementary measures of various kinds are also required on a national level to encourage foreign investment. In our country we propose to extend our operations in this field, making full use of the facilities available, including the Export-Import Bank.

By collaborating in these economic and financial measures and combining them with our programs of mutual technical assistance in industry, agriculture, labor, cultural relations, public health, nutrition and their related fields, we can achieve together the rising standard of living that we all seek.

Post War Tasks a Joint Responsibility

IX. The nations of the world today are face to face with an historic crisis and an historic opportunity—an opportunity greater than any offered to all the generations of men who have preceded us.

We of this generation for the first time have it truly within our power to build a lasting peace and to build it in such a manner that a new world of freedom and opportunity for all men can actually be realized within the foreseeable future.

The achievement of these tasks is the joint responsibility of all peace-loving nations large and small. A special obligation also rests with the great powers which are carrying the main burden of the war. Effective and continuing collaboration among themselves and with other peace-loving nations is essential both to victory and to peace. That sacred obligation was recognized and met at the Crimea Conference.

It is equally true that neither victory nor peace can be won without the full support of the American republics and without effective and continuing collaboration among themselves and with the rest of the world. That sacred obligation we must recognize and meet here at Mexico City.

We know that without the contributions that have been made by the American republics in the war the United Nations could not defeat the Axis aggressors.

This American strength—this strength of the New World—must also be built into the structure of peace if that structure is to endure.

I am thinking not only of the factories and farms and mines and forests—of all the developed and still undeveloped wealth of these Western continents.

I am thinking not only of the power and the will of our nations to use this wealth for the good of all the people.

I am thinking also of those beliefs for which Americans of all our countries have lived and fought—beliefs that form for our peoples an unbreakable core of unity.

We believe in the essential worth and integrity and equal rights of the individual and of individual nations, large and small.

We believe in the people and therefore in the right of the people to govern themselves in accordance with their own customs and desires.

We believe in peace, not war, and we have sought to practice peace, not war, in our dealings with each other and with countries in other parts of the world.

Let us recognize that this hour of our greatest opportunity is also an hour of danger and difficulty. We can easily lose this opportunity as we can seize and use it. This is partly because our old enemies, aggression and tyranny, are now able to use for the corruption and oppression of the minds of men the very science that we seek to use for the enlightenment and freedom of men. So long as Nazi-Fascism exists anywhere in the world—or if it is ever permitted through disunity or indifference on our part to re-establsh itself anywhere in the world—our peace and freedom are endangered.

Victory in this war will not of itself resolve the difficulty, nor banish the danger. The months and years immediately ahead will see the supreme test of the faith that has always animated the American peoples and of the abilities and energies that have built the American nations.

Inter-American Collaboration Part of Larger Fabric

I cannot escape the feeling that these are the times for which all that has gone into the making of the history of the Americas up to now was but the preparation.

The beliefs that have united the American peoples with each other can now unite them with the other freedom-loving peoples of the world. The unfinished pattern of the American purpose can now be completed in the larger fabric of a world purpose.

To this task and to this opportunity I ask the representatives of the nations represented here to join in dedicating ourselves.

I am reminded of the words of Abraham Lincoln to the Congress of the United States at a critical moment in the history of my country. They are words which might well be engraved in the hearts of all of us at this hour. He said: "Fellow citizens, we cannot escape history. We will be remembered in spite of ourselves. No personal significance or insignificance can spare one or another of us. The fiery trial through which we pass will light us down in honor or dishonor to the latest generation. . . . We—even we here—hold the power and bear the responsibility."

That is what Abraham Lincoln said.

If we succeed—and as Americans who pioneered two virgin continents and founded here a new cilization, we know that all is possible—if we succeed, future generations will look back upon this conference in Mexico City, and the conference in the Crimea and the United Nations conference in San Francisco as among the great historic milestones on the road to a lasting peace and a new world of security and opportunity for all mankind.

In a brief radio address on Feb. 24, Secretary Stettinius emphasized the need of the participation of small nations in a world peace set-up and praised the action of the Mexico City Conference in permitting the introduction of a resolution upholding the right to free access to information.

In his radio address Mr. Stettinius said:

It is particularly appropriate that a series of broadcasts on the building of the peace should be opened from a conference of American nations in Mexico City. This conference propitiously follows the meeeting in the Crimea which revealed the broad pattern of aims and purposes of the nations associated in the war and precedes the United Nations meeting to be held in San Francisco.

We Americans of all the American republics have lived our lives—have lived our histories—in the discovery and the building of new worlds.

We know that worlds can be discovered such as men in older continents had never imagined. We know that worlds can be built such as men in other ages had never seen. We are not frightened, therefore, or discouraged or dismayed when we are brought face to face with the necessity of creating something new—an effective world organization.

Purpose of Conference

Delegates from the American republics are assembled in this beautiful city of Mexico to strengthen the fraternal ties developed through many decades, and to improve the inter-American system of relations.

The are engaged in the serious business of considering how their friendship and unity of purpose may best contribute to a world organization for peace, security and a better way of life. This meeting affords a forum where the ideas and opinions of the American republics may be given expression.

Already we have offered to the conference resolutions intended to accomplish the more effective cooperation of the American republics with the proposed new world structure.

Our entire American past is a past of bold explorations, of hardy settlement, of arduous construction, of difficult beginnings. We are accustomed to labors without precedent. We are hardened to the seeming impossible. We know how to do what was never done before. We have brought a vast and untamed continent to human order within a space of time which would seem impossible to those who measure what can be done in the future by what has been done before. In the Americas, we have sought to foster a spirit of neighborliness, which is indispensable to a new society of mankind.

We have a good reason, therefore, for approaching the greatest labor of human history with such high hopes, with such unshakable determination. We have not listened in the past, and we will not listen in the future, to voices of frustration and defeat which tell us that we cannot do what we believe we must do. There is nothing in our American history that needed doing which did not find the men to do it.

Peace Plan Given Full Publicity

But this labor of the construction of a peaceful world is not a labor to be spoken of in terms of hope and purposes only. Much has already been accomplished. Four nations have agreed among themselves on proposals for the organization of a peaceful world, and those proposals had been submitted to the people of the earth for their consideration.

Never before has a proposal worked out by specialists and experts and agreed upon by representatives of several nations been submitted to such searching examination by the peoples of the world before its submission to a formal conference. At the San Francisco conference, all of the United Nations will take part in setting up the permanent machinery for international security. They will participate as independent sovereign States. Sovereign equality of nations, large and small, is a basic principle underlying the proposals.

Those proposals not only embrace the sovereign equality of nations, but they also intend that the power of all nations shall be used in the interests of world peace, security and freedom. Only on such a foundation may we realize the aspiration of mankind for a new and better world, with greater opportunity and well-being for all people.

Dumbarton Oaks Incomplete

The fact that the nations which took part in the primary discussions at Dumbarton Oaks were the nations which now bear, and have borne, the principal burden of the war, makes it natural, and indeed inevitable, that Great Britain, the Soviet Union, the United States and China should have taken primary responsibility for the initiation of these proposals, as they have been obliged to take primary responsibility for the prosecution of the war.

The Dumbarton Oaks proposals, however, were incomplete. They had to be supplemented in several important respects. This was one of the great accomplishments of the Crimea Conference.

Large and Small Nations Must Act Together

The voting procedure agreed upon at the Crimea Conference is a procedure, as I stated to the Inter-American Conference two days ago, which recognizes "the two essential elements of a successful world organization—unity of action by the great powers who alone have the military and industrial strength to prevent aggression; and the equal sovereignty of all nations, large and small, who must act together to create the essential conditions of lasting peace."

Once the world organization is established and measures for social and economic welfare are undertaken, the true democracy of the organization of the world for peace will become apparent.

It is to put before the people of the United States the facts about the proposed world organization that the Department of State has undertaken this series of broadcasts. I like to think that our people for the next few weeks will study, discuss and reflect on these proposals which are so significant to the destiny of all mankind.

It is my belief, and the belief of my colleagues in the department, that our duty in this regard is to put the facts before the country and let the facts speak for themselves. This is the democratic method. It is the only method that will be acceptable to our people.

Here in Mexico City we have sought to support that democratic method by offering a resolution which declares the right of peoples to have free access to information. In this way, and only in this way, will truth, the enemy of tyranny, assert itself for the freedom and security of mankind.

From Washington Ahead Of The News

(Continued from first page)

the radicals, that these workers, like the armed forces, must be given railroad transportation back to their home towns, with unemployment pay until they get another job.

In short, the overall picture of these people, as reported by the personnel officers of the war plants, is that they are most improvident and have never given any thought to tomorrow, much less to the day of VE.

In Washington, it is a fine commentary on things, that perhaps not a single member of Congress thinks the bill is really needed. Aside from those who go along with the Administration on everything, the others have busied themselves with trying to dope out the motives behind it.

We have written once that the members of Congress, looking around for the motives behind the bill were of the impression that it was designed to divert attention from the Ardennes bulge. We are of the impression that this is still true. It was the original motive. After the bulge incident passed, all interest on the part of the Administration was lost for the bill. There is not more than a handful of Congressmen or newspapermen who did not then think the bill was dead.

But, presto, in the past two weeks has come a renewed interest on the part of the Administration, a renewed pressure behind the bill.

Now, we pass on for what it is worth, what the members of Congress now think is the motive. Bear in mind, the point that the bill is really necessary is not taken seriously in any large quarter.

The current motive dopers-out divide into two classes:

1—Those who think it is designed to get at Jimmy Petrillo.

2—Those who think it is designed to get at John L. Lewis.

The latter think it is definitely designed against him. And there, we are to have a spectacle in the next few weeks, the spectacle of what happens when a country lets itself get into the hands of personalities.

The New Deal has been trying to destroy Lewis ever since he broke with it. It has definitely shown that it is more powerful in vote-getting ability among the miners. On that score, it has humiliated Lewis. He, in turn, has got to get a victory over the New Deal.

As he comes up before the coal operators in their biennial wage negotiations this time, he really has no score or feeling against them. But he is determined to get a victory over the New Deal. And it can't be by any subterfuge as was the portal-to-portal arrangement two years ago; it must be a clean-cut breaking of the Little Steel formula, so-called.

So, to head him off, as most Congressmen believe, and with which this correspondent is inclined to agree, there is the tremendous pressure for the manpower bill which would take miners now deferred. And the closing of the night clubs, we are told, is supposed to incense people against Lewis.

On this latter, Washington is having a lot of revelry. Washington is not a hot-spot town. The great majority of Congressmen are not hot-spotters. They are getting a tremendous kick out of the discomfiture that is coming to the New York and Hollywood hot-spotters. These hot-spotters voted for Roosevelt, says these Congressmen; it serves them right.

But it is an awful way to run a government.

Report by President of Phila. Land Title & Trust Aims at Strengthening Personal Relationship

A report to depositors of the Land Title and Trust Company of Philadelphia prepared by Percy C. Madeira, Jr., President, is said by the bank to be a definite part of its public relations program aimed at creating and bringing about a stronger personal relationship between the bank and the banking public. The report, made public Feb. 23, was occasioned by the belief that the success and prosperity of a bank are due in large part to its customers, and that those customers "are keenly interested in our accomplishments and our progress." According to Mr. Madeira "a decidedly more human relationship exists today between the banks and the public despite the fact that virtually all banks are increasing in size," and he says, "this relationship will be even closer and more personal in the future."

He adds:

"To some extent, this situation has been brought about by the entrance of the banks in recent years into the fields of personal loans and special checking accounts, bringing the banks into intimate contact with the people who in the past seldom had any dealings with banks. In our own case, we have today over 10,000 special checking account depositors, with balances aggregating $1,300,000, that we did not have a few years ago.

"We have found that depositors and customers of the bank alike today are intimately interested in the progress and activities of the bank. That they look upon it as 'our bank.' We felt that this feeling should be strengthened and to that end decided to issue a report to depositors. Besides, we had a good year in 1944—and it is only natural to want to tell our friends about it."

In the report, Mr. Madeira points out that the war effort continues to be paramount in the thoughts and activities of the bank and lists, among the accomplishments along that line: More than 39% of its loans directly connected with the war effort, including loans to finance housing for defense workers; processing of $69,000,000 in Government bonds purchased for customers and the trust department; unusually successful origination of substantial V and VT loans. Detailing the bank's progress for 1944, he said its demand deposits, excluding U. S. Treasury deposits, were the largest in its history, and that the bank now had a waiting list for its smaller safe deposit boxes. The volume of personal loans was smaller, he stated, "due to scarcity in many lines of consumer goods and continued full employment and consequent ability of borrowers to pay off debts out of larger income."

Results Of Treasury Bill Offering

The Secretary of the Treasury announced on Feb. 26 that the tenders of $1,300,000,000 or thereabouts, of 91-day Treasury bills to be dated Mar. 1 and to mature May 31, 1945, which were offered on Feb. 23, were opened at the Federal Reserve Banks on Feb. 26.

The details of this issue are as follows:

Total applied for $2,065,776,000. Total accepted $1,314,147,000 (includes $59,003,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.908, equivalent rate of discount approximately 0.364% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(58% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Mar. 1 in the amount of $1,203,676,000.

Simplified Registration Statement for Corporations

The SEC announced on Feb. 17 that a draft has been prepared of a new simplified form for the registration of shares of corporations in the promotional or development stage under the Securities Act of 1933. In keeping with its practice, the Commission has sent copies of the proposed registration form to various individuals, organizations, and firms interested in primary financing, for their comments and suggestions. In its advices the Commission adds:

"The proposed form is not to replace an existing form, but is designed instead to meet the particular needs of corporations of the aforementioned types which are without subsidiaries or funded debt and have not been involved in a recent succession to the business of another concern. It is felt that the form will prove helpful to new corporations, particularly, when wartime conditions become ameliorated.

"The simple type of registrant visualized in drafting the form has permitted simplification of the various items of the form and the financial statements. A balance sheet is not required to be filed in the usual case. Instructions, where necessary, immediately follow the various items of the form and have been prepared with the view of showing clearly the type of information sought to be disclosed by such items.

Non-Farm Mtge. Financing

Non-farm mortgage financing last November reached approximately $394,000,000, a less-than-seasonal decrease of seven percent from the total for October, the Federal Home Loan Bank Administration reported on Jan. 13. The figure was 11% above the amount for November, 1943. The October to November decline was shared by all types of mortgages, ranging from a two percent drop for insurance companies to nine percent for savings and loan associations.

The FHLBA's advices further said:

'During the first eleven months of 1944, upward of $4,250,000,000 on non-farm mortgages were recorded, 20% more than in the same months of 1943. The greatest growth over this period was in the activity of individual lenders whose recordings increased 33%; savings and loan associations were second with a rise of 27%. An eight percent decline was reported in mortgage financing by insurance companies, the only type of lender showing a recession in 1944.

The figures include estimates of the nation's recordings of new mortgages amounting to $20,000 or less. The number and dollar amount of recordings in November, by class of lender, are as follows:

	Number	Amount	Percent
Savings and loan associations	41,734	$134,359,000	34%
Insurance companies	3,992	20,543,000	5
Bank and trust companies	20,535	71,752,000	18
Mutual savings banks	3,802	15,176,000	4
Individuals	38,975	103,513,000	27
Other mortgagees	12,967	48,296,000	12
Total	122,005	$393,639,000	100%

Soft Coal Miners Contract Expires March 31 – Gives Strike Notice

John L. Lewis and the United Mine Workers' policy committee on Feb. 26 served notice under the Smith-Connally Act of the possibility of a bituminous coal strike in thirty days, according to an Asciated Press dispatch from Washington, D. C., which furthed adds in part:

The bituminous contract expires on March 31 and negotiations with the operators will begin today (March 1). The policy committee gathered on Feb. 26 to formulate demands for a new contract. The strike notice was the first action of the meeting.

Mr. Lewis, in a letter to Secretary of Labor Perkins, notified her that:

"In order to protect our membership under the terms of this act, this letter is now directed to you as formal notice that a labor dispute exists within the meaning of the act, as interpreted by this committee, between the United Mine Workers of America and the bituminous coal operators of this country.

"This notice is not intended to apply to any bituminous coal mine now under governmental seizure and control.

"To the end and for the purpose of procuring a new basic wage agreement for the industry, we will work diligently and forthrightly for the ensuing thirty days to prevent, if possible, any interruption of coal production, so vital to the prosecution of the war in which our country is now engaged, and to which we pledge our full devotion."

Railway Employees Total 1,390,718

Employees of Class I railroads of the United States, as of the middle of January, 1945, totaled 1,390,718, an increase of 2.47% compared with the corresponding month of 1944, but a decrease of 0.67% under December, 1944, according to a report just issued by the Bureau of Transport Economics and Statistics of the Interstate Commerce Commission, which further adds:

A gain over January, 1944, is shown in the number of employees for every reporting group with the exception of transportation (train and engine service), which shows a decrease of 0.13%. The percentages of increase are:

Executives, officials, and staff assistants, 2.61; professional, clerical, and general, 2.23; maintenance of way and structures, 6.78; maintenance of equipment and stores, 1.93; transportation (other than train, engine, and yard), 1.68, and transportation (yardmasters, switchtenders, and hostlers), 4.57.

Mail to Philippine Internees

Postmaster Albert Goldman announced on Feb. 19 that information had been received from the Post Office Department at Washington, D. C., that mail for American military and civilian internees in the Philippine Islands, whose liberation has been announced, may now be accepted for mailing under the following conditions:

For the present, such mail is restricted to letters and postcards only prepaid at the air-mail rate of postage applicable to overseas APO's, that is, six cents for each half-ounce or fraction of a half-ounce. It is intended that such mail will receive air mail treatment to destination. Such mail should be addressed in the following manner:

Name of addressee,
American Red Cross, Civilian
War Affairs Section,
APO 442, c/o Postmaster,
San Francisco, Cal.

Economic Stability in the Post-War World Subject of League of Nations Report

Making known that the League of Nations Delegation on Economic Depressions recently held its final session in Princeton, N. J., the League on Feb. 12 pointed out that, appointed in 1938 by the Council of the League to consider measures that might be employed "for preventing or mitigating economic depressions," it began its work at the end of that year, but was forced to interrupt it on the outbreak of war.

It is further noted that in 1943 the Council issued the first part of its report under the title, "The Transition from War to Peace Economy," in which it proposed a series of measures, both domestic and international, for effecting as smooth a transition as possible from war to peace economy. The advices from the League continue:

The second part of the report, which has now been completed, is concerned with the longer-term problem of securing economic stability and the fullest possible use of productive resources after the period of transition. The delegation insists on the international nature of depressions and on the need, therefore, for the international coordination of national policies for the maintenance of a high and stable level of employment. The report, which will run into over 300 pages, will be published under the title, "Economic Stability in the Post-war World: The Conditions of Prosperity After the Transition from War to Peace."

The following have taken part in its preparation:

Winfield W. Riefler, Professor at the Institute for Advanced Study, and until recently United States Minister in London (Chairman); R. H. Brand, C.M.G., Principal Representative of the British Treasury in the United States; W. Domaniewski, Commercial Counselor, Polish Embassy, Washington; Carter Goodrich, Columbia University, representing the International Development Works Committee of the International Labour Organization; Prof. G. Haberler, Harvard University; Dr. D. Crena de Iongh, Chairman, Board for the Netherlands Indies, Surinam and Curacao; F. L. McDougall, C.M.G., Economic Adviser to the Australian Government in London; R. Marjolin, Director of External Relations, Ministry of National Economy, Paris; Prof. O. Morgenstern, Princeton University, formerly head of the Austrian Institute for Business Cycle Research; Louis Rasminsky, Chairman (alternate), Foreign Exchange Control Board, Canada; G. F. Towers, Governor of the Bank of Canada.

Jan. Volume of Freight Traffic 5.8% Lower

The volume of freight traffic handled by Class I railroads in January, 1945, measured in ton-miles of freight, decreased 5.8% under the corresponding month of last year, the Association of American Railroads announced Feb. 23. Traffic in January amounted to approximately 57,000,000,000 ton-miles, according to preliminary estimates based on reports just received by the Association from Class I railroads. This was 3½% greater than for the same month two years ago, and 2¼ times that of 1939.

The following table summarizes revised statistics for the year 1944, and preliminary figures for January, 1945 (000's omitted):

	1944	1943	% Chge.
1st 11 mos.	680,337,455	666,394,928	+2.1
Mo. of Dec.	*57,700,000	60,614,577	—4.8
Year	*738,037,455	727,009,505	+1.5
	1945	1944	
Mo. of Jan.	†57,000,000	60,487,994	—5.8

*Revised estimate. †Preliminary estimate.

C. S. Cheston Elected to Board of J. P. Morgan

At a regular meeting of the board of directors of J. P. Morgan & Co. Incorporated, held on Feb. 22, Charles S. Cheston of Philadelphia was elected a member of the board.

Mr. Cheston, who lives at Whitemarsh, Pa., was born in 1892 at Chestnut Hill, Philadelphia, Pa. He attended the University of Pennsylvania. He became a partner in Edward B. Smith & Co. in 1920 and continued as a partner in that firm and its successor, Smith Barney & Co., until the end of 1944. He is now in Government service in Washington, D. C.

He holds directorships in Provident Mutual Life Insurance Co. of Philadelphia, Philco Corp., Pure Oil Co., Western Saving Fund Society of Philadelphia, Virginia Coal & Iron Co., Stonega Coke & Coal Co.

Non-Farm Mortgage Financing

Despite a continued decline in non-farm home building for the year, mortgage recordings in the nation reached $4,610,600,000 during 1944, a gain of 19% over 1943, the Federal Home Loan Bank Administration reported on Feb. 10. The advices add:

The dollar total was only 3% less than for 1941—the high year in mortgage financing since the depression bottom and the last year before sharp wartime restrictions on new building were imposed.

With limitations on the amount and price of new construction in effect, it is clear that the active sale of existing properties is the chief cause of the rise, according to officials of the Bank Administration. The average value of recordings last year was $3,111, as compared with $3,031 in 1943.

By Federal Home Loan Bank districts, the greatest gain in 1944 recordings (32.5%) was reported in the Los Angeles area, comprising California, Arizona, Nevada and Hawaii. Only four districts—Pittsburgh, Indianapolis, Topeka and Portland (Oregon)—showed increases of less than 15%.

Mortgages registered in the name of "individuals" in 1944 increased by 32% over 1943, the greatest gain for any type of lender. For savings and loan associations the rise was 26%.

All remaining types of mortgages except life insurance companies shared in the increase from 1943—17% for banks and trust companies, 8.5% for mutual savings banks and 5.5% for miscellaneous lenders.

During December, 1944, about $360,000,000 of mortgages was recorded, a 10% decline from November.

The estimates of financing activity are based on mortgages of $20,000 or less, recorded in areas embracing almost two-thirds of the non-farm population of the country. The number and amount of mortgages recorded in 1944, by type of lender, are as follows:

	Number	Amount	Per Cent
Savings and loan associations	496,996	$1,563,678,000	34%
Insurance companies	50,900	256,173,000	5
Banks and trust companies	249,026	877,762,000	19
Mutual savings banks	42,028	165,054,000	4
Individuals	447,021	1,134,054,000	25
Others	160,577	613,908,000	13
Total	1,446,548	$4,610,629,000	100%

Steel Production Off—Extended Deliveries Increase Backlogs—Orders Exceed Shipments

"While the steel industry this week continued to struggle with manpower and production problems, steel requirements in the form of commitments for delivery over the next quarter probably represent one of the toughest challenges to the industry since the war began," states "The Iron Age" in its issue of today (March 1), which further goes on to say: "The greatest emphasis will be upon those orders tagged for the military. Although the latter was not being allotted the amount of steel it requested for the second quarter, both the Army and the Navy on actual allotments to them came out far better than any of the other war agencies.

"In the face of increasing transportation needs, the second quarter requests of the Office of Defense Transportation were slashed considerably. While railroad authorities do not minimize the importance of Army and Navy demands, they still point out that the nation's transportation system cannot long continue to have its requirements continually cut. It is recalled that throughout 1944 the railroads were unable to obtain the amount of steel which they thought necessary to keep the transportation system in 'fair' shape. Some even believe that the setbacks in the recent severe weather period were accentuated by the fact that equipment was worn out and replacements and repairs on a greater scale had been made impossible because of the supply situation.

"Forms of transportation other than the railroads have also suffered due to cutbacks in their estimated needs. On the home front it is becoming increasingly apparent that bus service for war workers and other essential employment continues to deteriorate due to lack of parts and supplies, as well as due to manpower shortages. In the drive for more war work such factors may not be too small when absenteeism is being analyzed.

"Steel order volume, although having declined in recent weeks from the record-breaking January level, was nevertheless somewhat ahead of actual shipments. This situation, however, may not be as bad as it appears, because the increase in backlogs recently has been due in large part to greatly extended deliveries. Steel consumers have had to place their orders so far ahead that some business is being labeled for first and second quarter delivery, 1946.

"For the country as a whole, steel order volume during the first two months of this year is estimated to be about 25% ahead of the same period last year. The oversold condition in the industry is indicated by reports that some major producing units' orders during the first few weeks of February exceeded shipments by as much as 60%.

"Of great interest in the railroad construction field is the reported award, on a prime contract, for 30,000 box cars for France to International Railway Car & Equipment Mfg. Co. with offices in Chicago and a plant at Kenton, Ohio. It is expected that a portion of the order will be sublet. Pullman Standard has been awarded 3,000 and American Car & Foundry 2,000 56-ton flat cars for Russia. Heavy demand is reported for standard rails for export—particularly for South America."

The American Iron and Steel Institute on Feb. 26 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 94.6% of capacity for the week beginning Feb. 26, compared with 96.4% one week ago, 88.7% one month ago and 97.5% one year ago. The operating rate for the week beginning Feb. 26, 1945, is equivalent to 1,732,700 tons of steel ingots and castings, compared to 1,765,700 tons one week ago, 1,625,200 tons one month ago, and 1,746,500 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Feb. 26 stated in part as follows: "With steel mills booked far ahead with orders for essential material for war purposes there still is heavy pressure to place tonnage on books for nearby and second quarter rolling.

"Directives have been issued for so much tonnage that a great deal of Controlled Materials Plan steel has been pushed far back in rolling schedules, much of it also essential. Great confusion has prevailed as a result of this procedure and use of directives is being reduced by Washington to lessen the disorder. Directives now are being issued only after severest scrutiny as to need for the tonnage for which special action is sought.

"Under greatest pressure is steel for guns and ammunition, for rockets in particular. Signal Corps equipment, involving various types of sheets and wire also is being pushed insistently. Mobile gun mounts and combat tanks call for high priority also. However, the ship program appears to be approaching its peak, with probability that March production of plates will be heaviest in several months. April and entire second quarter should witness high plate production, with the trend slightly downward, notwithstanding increasing requirements from locomotive builders, now beginning to place tonnage for export orders recently booked. Some platemakers can give delivery in May but most are booked into June for entire production.

"Claimant agencies are asking over 17 million tons of carbon steel for second quarter needs, while production possibilities are estimated at not more than about 14 million tons. Effort will be made by WPB to reduce the requests by close screening, to match with possible output. Manpower is a large factor in holding production down.

"Scrap is still tight as a result of slow movement during the period of heavy snows, which prevented collection, preparation and shipment. During this period reserves were reduced and some tonnage still is being taken from stocks, but the situation is improving.

"Consumption of Lake Superior iron ore in January was below average, as had been indicated by lower pig iron production. The total was 6,982,619 gross tons, compared with 7,481,653 tons in the corresponding month last year. Stocks at furnaces and Lake Erie ports Feb. 1 were 30,888,619 tons, compared with 36,059,302 tons at the same date in 1944. Despite the smaller tonnage it appears ample to fill needs until new tonnage comes down the lakes at the opening of navigation."

Seized Soft Coal Mines Returned by Secretary Ickes

Harold L. Ickes, Solid Fuels Administrator, on Feb. 24, announced that the Government had returned to their owners 72 bituminous coal mines in West Virginia, Pennsylvania and Kentucky, which had been seized in September to end labor disturbances, according to an Associated Press dispatch from Washington, D. C.

The mines involved were said to have a daily output of 145,000 tons and employ more than 25,000.

Says Sterling Cannot Be Stabilized Until Britain Balances Her International Accounts

(Continued from first page)

outbreak of hostilities in 1939. Among the foreign investments surrendered by British nationals to the Exchequer and later liquidated were some of the best, including securities of the United States, Canada, South Africa, India and Argentina which yielded satisfactory returns. While the amount of foreign investments of Great Britain is still about £2,700 million, the fact should not be overlooked that a portion of these investments is in default and that many of them could not be liquidated and converted into foreign exchange for some time after the war. In addition Great Britain had accumulated by the end of 1944 an external short-term sterling debt of about £3,000 million, which at the cessation of hostilities may amount to £4,000 million and on which the annual interest and amortization charges—allowing for the normal balances kept in London either as currency reserves or as working balances—may for years exceed the income on her investments abroad.

"The problem of the post-war balance of payments could be met by increasing Great Britain's international indebtedness. But this would merely postpone the solution and render it much more difficult in the future. Hence, it may be expected that the British will endeavor to solve the problem by increasing visible exports. The question, therefore, arises whether Great Britain will be able to find markets for greatly increased exports. There are a number of factors that indicate such expansion is feasible.

1. Great Britain will continue to be one of the leading importers of raw materials and foodstuffs. The countries selling in Great Britain will purchase manufactured goods in that country. The pent-up demand for factory products for some years after the war is likely to cause a rise in prices of manufactured goods as compared with prices of raw materials and foodstuffs, which would give Great Britain a trade advantage in the critical years following the cessation of hostilities.

2. Great Britain's industrial plant after the war will be more modern than ever before and its productive capacity has been increased materially. The British, therefore, will be in a position to produce more goods at relatively low costs. The decline in income from foreign investments and other invisible exports will act as a powerful stimulus to modernize not only the equipment and process of production but also the methods of marketing and of financing foreign trade.

3. The productivity of labor is receiving more attention in Great Britain at present than in the past. Committees sent by the British to the United States to study various American industries have reported that the productivity of American labor in many industries, especially in the cotton textile industry, is far greater than that of British labor. There is no reason to believe that the British will not be able to increase materially the productivity of labor through the installation of modern machinery, provision of more mechanical equipment per worker and application of scientific methods to the utilization of labor and equipment. An increase in the productivity of the British economy will improve the country's competitive position and enable it to cope successfully with economic problems.

In considering the problem of frozen sterling balances the bulletin states:

"The accumulation of foreign-owned sterling balances, which at the end of 1944 were estimated at £3,000,000,000 or about $12,000,000,000, has caused considerable concern about the method of settling or liquidating these balances. The growth of sterling balances has been recently accelerated since some of the Dominions have either completed, curtailed, or ceased repatriation of their securities held in the United Kingdom. It is obvious that until these abnormally large balances have been drastically reduced, or a considerable portion of them converted into special long-term obligations, it will be impossible for Great Britain to abolish foreign-exchange restrictions or to stabilize the pound sterling on a permanent basis. Furthermore, the amount of interest which Great Britain will have to pay on these balances, particularly after they have been funded, will exercise a considerable influence on the British balance of payments.

"While the existence of the huge amounts of foreign-owned frozen sterling balances constitutes a serious threat to monetary stability and aggravates materially the British balance of payments problem, a solution can be found, particularly if India and Egypt were to adopt a reasonable attitute and take into account the sacrifices in life and treasure made on their behalf by Great Britain and other members of the United Nations. The main factor to be borne in mind is that it is primarily a sterling area problem and, therefore, is not as difficult as would be the case if these balances were owned by non-sterling bloc countries. In the long run these balances can exercise a powerful influence on exports of capital goods from Great Britain, particularly to India where plans have been made already for considerable industrial development. Since, however, Great Britain has to import in order to be able to export, it is evident that these balances can be utilized by their owners only after the reconstruction of Great Britain has been completed and even then only over a considerable period of time."

In conclusion the bulletin states:

"The most difficult period in Britain's international financial position will be the immediate post-war years. During those years the country will be confronted not only with the task of converting the economy from war to peace operations, but also with the urgent need to construct a large number of dwellings, to repair damaged buildings, and to erect a number of public buildings which have been destroyed during the war. The need for machinery and equipment will also be very great and some will have to be imported probably from the United States. Great Britain, therefore, will have full employment during the first peacetime years, but by far the greater part of the industrial output will not be available for export. Since Great Britain will have to import large quantities of raw materials, foodstuffs, as well as machinery and equipment, the foreign-trade deficit during the first two or three years after the war is bound to be very great, thus further increasing Britain's international short-term indebtedness.

"How the large excess of imports over exports will be financed is, of course, impossible to state. It is quite likely that a part of the adverse trade balance will be paid with the gold and dollar balances held by the British Treasury. It is also possible that the United States Government as well as the Government of the Dominion of Canada may continue to render some assistance to the British Government until the period of reconstruction is over and Great Britain is able to export considerable quantities of manufactured goods. The repeal of the Johnson Act, cancellation of the interallied debts contracted during World War I, and a prompt and equitable settlement of lend-lease obligations would have a favorable effect on Great Britain. Should the International Monetary Fund, as provided for by the Bretton Woods Conference, be established, the British would be able to draw on the resources of the Fund during the reconstruction period. It is quite certain, however, that the period of reconstruction and rehabilitation of British industry will be a difficult one, mainly because the country will be dependent to a considerable extent on foreign raw materials and manufactured goods."

Four More South American States Join United Nations

With the signing on Feb. 14 by representatives of four South American republics of the Declaration of the United Nations the number of United Nations was increased to 40. The ceremony took place at the State Department before diplomatic representatives of other member Governments, said special advices from Washington to the New York "Times", Feb. 14 which also said in part:

The four were Peru and Paraguay, which recently declared war against both Japan and Germany, and Ecuador and Chile, which previously had done so. All four had long ago severed diplomatic relations with the Axis. The Chilean declaration of war was officially announced at the time of the signing.

Joseph C. Grew, acting Secretary of State, presided at the ceremony, which was in the large conference room of the Department amid a setting of flags of the United Nations and to the accompaniment of flashes of photographers' bulbs. The exercises also were broadcast over national networks.

Among the Ambassadors present was Jan Ciechanowski whose Polish Government-in-Exile in London still is recognized by the United States.

Except for Argentina, only two other Latin-American countries, Uruguay and Venezuela, have not yet declared war on the Axis. However, they long ago severed relations, and indications are that the two republics are preparing to declare war.

Outside of this hemisphere the only Governments that have broken relations but have not declared war are those of Egypt and Iceland.

Mr. Grew delivered a brief address, as did the diplomatic representatives of the Governments that subscribed to the Declaration through affixation of their formal signatures.

"We are happy to welcome these nations formally into our fold," Mr. Grew said. "Convinced of the justice of our cause, each of them long ago took its firm stand on the side of the United Nations by breaking relations with the Axis Powers, by suppressing subversive activities aimed against this hemisphere and by mobilizing its human and economic resources in support of the war effort."

Mr. Grew added that the new members were welcomed, too, as "full partners in constructing an international peace and security organization. We need the best thought of all Governments and peoples who believe in this noble enterprise."

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following tabie.

MOODY'S BOND PRICES†
(Based on Average Yields)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate rate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Feb. 27	121.95	114.66	120.22	118.60	114.46	106.04	110.52	114.27	119.41
26	121.95	114.66	120.22	118.60	114.46	106.04	110.52	114.27	119.41
24	121.92	114.66	120.22	118.60	114.46	106.04	110.52	114.27	119.41
23	121.92	114.66	120.02	118.60	114.46	106.04	110.52	114.08	119.41
22	Stock Exchange Closed								
21	121.87	114.66	120.02	118.60	114.46	106.04	110.52	114.27	119.41
20	121.87	114.46	120.02	118.60	114.46	105.86	110.34	114.08	119.41
19	121.94	114.46	120.02	118.60	114.27	105.86	110.34	114.27	119.20
17	121.93	114.46	120.02	118.60	114.27	105.86	110.15	114.08	119.41
16	121.97	114.46	120.02	118.60	114.27	105.69	110.15	114.08	119.41
15	121.97	114.46	120.02	118.60	114.27	105.86	110.15	114.08	119.41
14	121.70	114.27	120.02	118.40	114.27	105.69	110.15	114.08	119.20
13	121.64	114.27	120.02	118.40	114.08	105.69	109.97	114.08	119.20
12	Stock Exchange Closed.								
10	121.59	114.27	119.82	118.40	114.08	105.69	109.97	114.08	119.20
9	121.58	114.27	119.82	118.40	114.08	105.69	109.97	114.08	119.20
8	121.55	114.27	119.82	118.40	114.08	105.52	109.97	114.08	119.20
7	121.53	114.08	119.61	118.20	114.08	105.52	109.79	113.89	118.80
6	121.44	114.08	119.82	118.20	113.89	105.52	109.79	114.08	118.80
5	121.44	114.08	119.82	118.00	113.89	105.52	109.79	113.89	118.80
3	121.37	114.08	119.82	118.20	113.89	105.34	109.60	114.08	118.80
2	121.33	114.08	119.82	118.00	113.89	105.34	109.60	114.08	118.80
1	121.11	113.89	119.61	118.00	113.70	105.34	109.42	113.89	118.80
Jan. 26	120.88	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
19	121.09	113.70	119.20	118.00	113.70	105.00	108.88	113.70	118.60
12	121.25	113.70	119.00	118.00	113.50	104.83	109.06	113.70	118.40
5	120.66	113,50	119,00	117.80	113.50	104.66	108.70	113.89	118.20
High 1945	121.97	114.66	120.22	118.60	114.46	106.04	110.52	114.27	119.41
Low 1945	120.55	113.50	118.80	117.80	113.31	104.48	108.52	113.70	118.20
1 Year Ago									
Feb. 26, 1944	120.21	111.07	118.20	116.22	111.07	100.32	104.31	113.50	116.22
2 Years Ago									
Feb. 27, 1943	117.11	109.24	117.60	115.43	110.15	95.60	100.16	112.93	115.43

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate rate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R	P. U	Indus.
Feb. 27	1.69	2.92	2.64	2.72	2.93	3.39	3.14	2.94	2.68
26	1.69	2.92	2.64	2.72	2.93	3.39	3.14	2.94	2.68
24	1.69	2.92	2.64	2.72	2.93	3.39	3.14	2.94	2.68
23	1.69	2.92	2.65	2.72	2.93	3.39	3.14	2.95	2.68
22	Stock Exchange Closed								
21	1.70	2.92	2.65	2.72	2.93	3.39	3.14	2.94	2.68
20	1.70	2.93	2.65	2.72	2.93	3.40	3.15	2.95	2.68
19	1.60	2.93	2.65	2.72	2.94	3.40	3.15	2.94	2.69
17	1.69	2.93	2.65	2.72	2.94	3.40	3.16	2.95	2.68
16	1.69	2.93	2.65	2.72	2.94	3.41	3.16	2.95	2.68
15	1.71	2.93	2.65	2.72	2.94	3.40	3.16	2.95	2.68
14	1.71	2.94	2.65	2.73	2.94	3.41	3.16	2.95	2.69
13	1.72	2.94	2.65	2.73	2.95	3.41	3.17	2.95	2.69
12	Stock Exchange Closed.								
10	1.72	2.94	2.66	2.73	2.95	3.41	3.17	2.95	2.69
9	1.72	2.94	2.66	2.73	2.95	3.41	3.17	2.95	2.69
8	1.72	2.94	2.66	2.73	2.95	3.42	3.17	2.95	2.69
7	1.72	2.95	2.67	2.74	2.95	3.42	3.18	2.96	2.71
6	1.73	2.95	2.66	2.74	2.96	3.42	3.18	2.95	2.71
5	1.73	2.95	2.66	2.75	2.96	3.42	3.18	2.96	2.71
3	1.73	2.95	2.66	2.74	2.96	3.43	3.19	2.95	2.71
2	1.73	2.95	2.66	2.75	2.96	3.43	3.19	2.95	2.71
1	1.75	2.96	2.67	2.75	2.97	3.43	3.20	2.96	2.71
Jan. 26	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
19	1.75	2.97	2.69	2.75	2.97	3.45	3.23	2.97	2.72
12	1.74	2.97	2.70	2.75	2.98	3.46	3.22	2.97	2.73
5	1.79	2.98	2.70	2.76	2.98	3.47	3.24	2.96	2.74
High 1945	1.80	2.98	2.71	2.76	2.99	3.48	3.25	2.97	2.74
Low 1945	1.69	2.92	2.64	2.72	2.93	3.39	3.14	2.94	2.68
1 Year Ago									
Feb. 26, 1944	1.81	3.11	2.74	2.84	3.11	3.73	3.49	2.98	2.84
2 Years Ago									
Feb. 27, 1943	2.06	3.21	2.77	2.88	3.16	4.03	3.74	3.01	2.88

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Electric Output for Week Ended Feb. 24, 1945 Increased 0.7% Over Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Feb. 24, 1945, was approximately 4,473,962,000 kwh., which compares with 4,444,939,000 kwh. in the corresponding week a year ago, and 4,472,298,000 kwh. in the week ended Feb. 17, 1945. The output of the week ended Feb. 24, 1945, was 0.7% in excess of that in the same week last year.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

Major Geographical Divisions—	Week Ended Feb. 24	Feb. 17	Feb. 10	Feb. 3
New England	0.9	*0.0	*1.9	2.3
Middle Atlantic	*1.9	*4.0	*3.7	*2.0
Central Industrial	3.5	1.5	1.6	2.2
West Central	8.8	6.0	9.2	8.4
Southern States	6.9	5.1	4.9	5.6
Rocky Mountain	*9.8	*11.9	*11.5	*10.8
Pacific Coast	*6.2	*5.5	*4.5	*2.5
Total United States	0.7	*0.9	*0.6	0.3

*Decrease under similar week in previous year.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1944	1943	% Change over 1943	1942	1932	1929
Nov. 4	4,354,939	4,413,863	— 1.3	3,761,961	1,520,730	1,798,164
Nov. 11	4,396,595	4,482,665	— 1.9	3,775,878	1,531,584	1,793,584
Nov. 18	4,450,047	4,513,299	— 1.4	3,795,361	1,475,268	1,818,169
Nov. 25	4,368,519	4,403,342	— 0.8	3,766,381	1,510,337	1,718,002
Dec. 2	4,524,257	4,560,158	— 0.8	3,883,534	1,518,922	1,806,225
Dec. 9	4,538,012	4,566,905	— 0.6	3,937,524	1,563,384	1,840,863
Dec. 16	4,563,079	4,612,994	— 1.1	3,975,873	1,554,473	1,860,021
Dec. 23	4,616,975	4,295,010	--	3,655,926	1,414,710	1,637,683
Dec. 30	4,225,814	4,337,287	— 2.6	3,779,993	1,619,265	1,542,000

Week Ended—	1945	1944	% Change over 1944	1943	1932	1929
Jan. 6	4,427,281	4,567,959	--	3,952,587	1,602,482	1,733,810
Jan. 13	4,614,334	4,539,083	+ 1.7	3,952,479	1,598,201	1,736,721
Jan. 20	4,588,214	4,531,662	+ 1.2	3,974,202	1,588,967	1,717,315
Jan. 27	4,576,713	4,523,763	+ 1.2	3,976,844	1,588,853	1,728,203
Feb. 3	4,538,552	4,524,134	+ 0.3	3,960,242	1,578,817	1,726,161
Feb. 10	4,505,269	4,532,730	— 0.6	3,939,708	1,545,459	1,718,304
Feb. 17	4,472,298	4,511,562	— 0.9	3,948,749	1,512,158	1,699,250
Feb. 24	4,473,962	4,444,939	+ 0.7	3,892,796	1,519,679	1,706,719

Note—Because the same week a year ago contained the New Year holiday, no percentage comparison is available for the week ended Jan. 6.

Wholesale Prices for Week Ended Feb. 17 Rose 0.1%, Labor Department Reports

"The Bureau of Labor Statistics' weekly index of commodity prices at the primary market level rose 0.1% during the week ended Feb. 17 to a new wartime peak," said the U. S. Department of Labor on Feb. 22, which added that "higher prices for livestock and for building materials, such as brick and cement, largely accounted for the advance." "This fractional increase brought the all-commodity index to 105.0% of the 1926 average, the highest reached in 24 years. In the past four weeks the index rose 0.2% to a point 1.6% higher than at this time last year," according to the Department, which further reported:

"Farm Products and Foods—Led by an increase of 0.8% for livestock and poultry—4.5% for sheep and nearly 2% for cattle—and higher prices for cotton, hay and tobacco, for fresh milk at Chicago, and for lemons, average prices for farm products in primary markets rose 0.3% to the highest point since mid-June, 1943. Eggs declined seasonally and lower prices were also reported for apples, oranges and potatoes in most markets. Since the middle of January, average prices for farm products have advanced 0.5% and were 3.6% higher than for the corresponding week of last year.

"The seasonal decline in prices for eggs, together with lower prices for fruits and vegetables, brought average prices for foods down 0.1% during the week. Wheat flour at the Kansas City mills advanced slightly while rye flour declined. Dressed poultry in the Chicago market rose 1.6%. In the past four weeks average prices for foods in primary markets have decreased 0.2% but were 0.7% higher than in mid-February, 1944.

"Industrial Commodities—An increase of $1.00 per ton in ceiling prices for pig iron allowed by OPA to compensate for higher production costs caused the index for metals and metal products to rise 0.1%. Building material prices advanced 0.2% during the week, reflecting higher prices for brick and cement in certain local areas. Lower sales realizations for gas brought the index for fuel and lighting materials down 0.2%."

The Labor Department included the following notation in its report:

Note—During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. The indexes must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) index numbers for the principal groups of commodities for the past three weeks, for Jan. 20, 1945 and Feb. 19, 1944, and the percentage changes from a week ago, a month ago, and a year ago, and (2) percentage changes in subgroup indexes from Feb. 10, 1945, to Feb. 17, 1945:

WHOLESALE PRICES FOR WEEK ENDED FEB. 17, 1945
(1926=100)

Commodity Groups—	2-17 1945	2-10 1945	2-3 1945	1-20 1945	2-19 1944	Percentage change to Feb. 17, 1945 from— 2-10 1945	1-20 1945	2-19 1944
All commodities	105.0	104.9	104.7	104.8	103.3	+0.1	+0.2	+ 1.6
Farm products	127.2	126.8	125.7	126.6	122.8	+0.3	+0.5	+ 3.6
Foods	104.8	104.9	104.3	105.0	104.1	—0.1	—0.2	+ 0.7
Hides and leather products	118.0	118.0	117.9	117.9	117.7	0	+0.1	+ 0.3
Textile products	99.1	99.1	99.1	99.0	97.2	0	+0.1	+ 2.0
Fuel and lighting materials	83.8	84.0	84.0	83.9	83.7	—0.2	—0.1	+ 0.1
Metals and metal products	104.3	104.2	104.2	104.2	103.8	+0.1	+0.1	+ 0.5
Building materials	116.9	116.7	116.7	116.7	113.7	+0.2	+0.2	+ 2.8
Chemicals and allied products	94.9	94.9	94.9	94.9	95.1	0	0	— 0.2
Housefurnishing goods	106.2	106.2	106.2	106.1	106.2	0	+0.1	0
Miscellaneous commodities	94.1	94.1	94.1	94.0	93.3	0	+0.1	+ 0.9
Raw materials	116.2	116.0	115.3	115.8	113.0	+0.2	+0.3	+ 2.8
Semimanufactured articles	94.8	94.8	94.8	94.8	93.5	0	0	+ 1.4
Manufactured products	101.6	101.6	101.6	101.6	100.6	0	0	+ 1.0
All commodities other than farm products	100.1	100.1	100.1	100.0	99.2	0	+0.1	+ 0.9
All commodities other than farm products and foods	99.3	99.3	99.3	99.3	98.2	0	0	+ 1.1

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM
FEB. 10, 1945 TO FEB. 17, 1945

Increases			
Cement	1.7	Brick and tile	0.5
Livestock and poultry	0.8	Cereal products	0.2
Other miscellaneous	0.1		
Decreases			
Other foods	0.4	Fruits and vegetables	0.3

Funds In Insured Home Loan Ass'ns Increase

For First 10 Months of 1944 New Funds in Custody of Insured Associations Totalled 30% More Than in Same Period of 1943.

The average American is now far more interested in the safety of his invested funds than in any excessive or speculative rate of return, William H. Husband, general manager of the Federal Savings and Loan Insurance Corporation, asserted in a year-end statement.

He based his statement on a comparison of war-period reports from savings and loan associations whose investors' accounts are insured by the Insurance Corporation.

In the past three years savings of the public in the custody of the average insured association increased by approximately 53% despite a downward trend in the rate of dividends paid, he said. Over the first ten months of 1944, new funds of the public placed in the shares of insured savings and loan associations totalled about 30% more than in the same period of 1943.

Insurance now protects the savings of some four million people up to $5,000 each. The war time expansion of the insurance coverage, together with the growth of insured associations, is indicated below:

	Dec. 31, 1941	Dec. 31, 1944 (Approximate)
Number of Insured Institutions	2,343	2,462
Total Assets	$3,362,000,000	$5,000,000,000
Cash and U. S. Bonds	250,349,000	1,300,000,000
First Mortgages	2,751,938,000	3,300,000,000
Share Capital	2,597,525,000	4,300,000,000
Insured Investors	3,110,000	4,000,000

"The Congress had a double objective when in 1934 it established the Insurance Corporation, to protect each investor in insured home financing institutions against loss up to $5,000," Mr. Husband said. "The first, of course, was to safeguard thrifty people against hazards to their savings; the second, to restore the flow of home mortgage credit by encouraging investments in local savings and loan associations.

"Over the years the stability afforded by insurance has aided home owners by bringing into the home financing field additional funds, available at low and moderate cost. It has served to build up local institutions as the source of funds for local home financing. In numerous cases insurance has enabled thrift associations to reduce their mortgage interest rates, in keeping with the general movement in this direction throughout the country."

Assets of the Federal Savings and Loan Insurance Corporation itself stood at $154,852,999 on November 30, an increase of $8,792,182 over the year before, he reported. In the same period reserves of the corporation rose from $43,971,525 to $52,487,610.

Mfg. Workers' Earnings At Record In December

Average hourly and weekly earnings of wage earners in the 25 manufacturing industries surveyed each month by the National Industrial Conference Board were at all-time peaks in December of $1.085 and $49.82, respectively, while "real" weekly earnings were only one-tenth of 1% below the record high of June, 1944.

The Board's announcement of Feb. 19 also said:

These figures include overtime and other monetary compensation.

The changes in payroll statistics from November to December as shown by the Conference Board's survey are summarized as follows:

Hourly earnings rose 0.6% to $1.085. They were 3.8% higher than in December, 1943; 43.0% above the level of January, 1941, base date of the Little Steel formula, and 83.9% above that of 1929.

Weekly earnings at $49.82 were 0.8% higher than in November; 5.7% above those of December, 1943; 62.8% above January, 1941, and 74.5% higher than in 1929.

"Real" weekly earnings, or dollar weekly earnings adjusted for changes in living costs, rose 0.4% in December. They were 3.9% greater than in December, 1943, 32.5% above January, 1941, and 65.2% above the 1929 level.

Hours worked per week averaged 45.8, or 0.4% more than in November. The average was 0.7 hours, or 1.6% above December, 1943, and 5.6 hours, or 13.9%, above January, 1941, but 2.5 hours, or 5.2%, less than the average worked in 1929.

Employment in the 25 industries declined 0.1% in December, the 13th consecutive monthly decline. It was 10.6% below December, 1943, but 22.9% above January, 1941, and 36.3% above 1929.

Man-hours worked in the 25 industries rose 0.4% but were 9.2% below December, 1943. They were, however, 40.1% above January, 1941, and 29.2% above the 1929 average.

Payrolls increased 0.7% in December but were 5.5% below those of December, 1943. They were 100.2% higher than in January, 1941, and 137.8% above the 1929 average.

Moody's Daily Commodity Index

Tuesday, Feb. 20	254.7
Wednesday, Feb. 21	254.6
Thursday, Feb. 22	*
Friday, Feb. 23	254.9
Saturday, Feb. 24	255.0
Monday, Feb. 26	255.1
Tuesday, Feb. 27	255.2
Two weeks ago, Feb. 13	254.4
Month ago, Jan. 27	252.1
Year ago, Feb. 26, 1944	249.4
1943 High, April 1	249.8
Low, Jan. 2	240.2
1944 High, Jan. 8	255.3
Low, Jan. 24	252.1

*Holiday.

Weekly Coal and Coke Production Statistics

The Solid Fuels Administration, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended Feb. 17, 1945, is estimated at 11,515,000 net tons, a decrease of 765,000 tons from the preceding week. Output in the corresponding week of 1944 amounted to 12,390,000 tons. For the calendar year to Feb. 17, 1945, soft coal production totaled 81,450,000 tons, a decrease of 9.4% when compared with the 89,900,000 tons produced in the calendar year to Feb. 19, 1944.

According to the U. S. Bureau of Mines, production of Pennsylvania anthracite for the week ended Feb. 17, 1945, was estimated at 1,129,000 tons, an increase of 12,000 tons (1.1%) over the preceding week. When compared with the output in the corresponding week of 1944 there was a decrease of 303,000 tons, or 21.2%. The calendar year to date shows a decrease of 22.2% when compared with the same period in 1944.

The Bureau also reported that the estimated production of beehive coke in the United States for the week ended Feb. 17, 1945, showed a decrease of 11,700 tons when compared with the output for the week ended Feb. 10, 1945, and was 42,400 tons less than for the corresponding week of 1944.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE IN NET TONS

	Week Ended			Jan. 1 to Date	
Bituminous coal & lignite—	Feb. 17, 1945	*Feb. 10, 1945	Feb. 19, 1944	†Feb. 17, 1945	Feb. 19, 1944
Total, including mine fuel	11,515,000	12,280,000	12,390,000	81,450,000	89,900,000
Daily average	1,919,000	2,047,000	2,065,000	1,958,000	2,106,000

*Revised. †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. anthracite—	‡Feb. 17, 1945	§Feb. 10, 1945	Feb. 19, 1944	Feb. 17, 1945	Feb. 19, 1944	Feb. 20, 1937
*Total incl. coll. fuel	1,129,000	1,117,000	1,432,000	6,961,000	8,944,000	7,189,000
†Commercial produc.	1,084,000	1,072,000	1,375,000	6,682,000	8,586,000	6,830,000
Beehive coke—						
United States total	108,000	119,700	150,400	710,400	1,136,100	486,200

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES

(In Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	Feb. 10, 1945	Feb. 3, 1945	Feb. 12, 1944
Alabama	373,000	385,000	413,000
Alaska	7,000	7,000	5,000
Arkansas and Oklahoma	108,000	106,000	100,000
Colorado	171,000	172,000	192,000
Georgia and North Carolina	1,000	*	1,000
Illinois	1,554,000	1,516,000	1,622,000
Indiana	581,000	572,000	557,000
Iowa	63,000	56,000	42,000
Kansas and Missouri	180,000	183,000	176,000
Kentucky—Eastern	1,157,000	1,013,000	1,000,000
Kentucky—Western	361,000	393,000	358,000
Maryland	35,000	30,000	37,000
Michigan	2,000	2,000	7,000
Montana (bitum. & lignite)	102,000	105,000	95,000
New Mexico	33,000	31,000	39,000
North & South Dakota (lignite)	66,000	67,000	62,000
Ohio	675,000	626,000	700,000
Pennsylvania (bituminous)	2,573,000	2,218,000	3,080,000
Tennessee	162,000	153,000	161,000
Texas (bituminous & lignite)	4,000	4,000	3,000
Utah	149,000	150,000	140,000
Virginia	437,000	395,000	441,000
Washington	34,000	31,000	35,000
†West Virginia—Southern	2,450,000	2,124,000	2,388,000
‡West Virginia—Northern	802,000	757,000	1,077,000
Wyoming	200,000	194,000	218,000
§Other Western States	*	*	1,000
Total bituminous & lignite	12,280,000	11,290,000	12,950,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Civil Engineering Construction $16,301,000 For Week

Civil engineering construction volume for the short week due to the early closing for the Washington's Birthday holiday totals $16,301,000. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 26% lower than in the corresponding 1944 week, 40% under the previous four-week moving average, and compares with $43,908,000 reported to "Engineering News-Record" for the full preceding week. The report made public on Feb. 22, continued as follows:

Private construction is 220% higher than in the 1944 week, but public construction is 65% lower than last year due to the 79% drop in Federal work. State and municipal volume is 32% higher than in the week last year.

The current week's construction brings 1945 volume to $197,709,000 for the eight weeks, a decrease of 28% from the $274,396,000 reported in 1944. Private construction, $60,936,000, is 14% above last year, but public work, $136,773,000, is down 38% as a result of the 46% drop in Federal. State and municipal construction has climbed 64% over a year ago.

Civil engineering construction volumes for the short 1944 week, last week, and the short current week are:

	Feb. 24, 1944 (four days)	Feb. 15, 1945 (five days)	Feb. 22, 1945 (four days)
Total U. S. Construction	$22,161,000	$43,908,000	$16,301,000
Private Construction	2,959,000	3,120,000	9,482,000
Public Construction	19,202,000	40,788,000	6,819,000
State and Municipal	2,453,000	1,943,000	3,236,000
Federal	16,749,000	38,845,000	3,583,000

In the classified construction groups, gains over the 1944 week are recorded in sewerage, bridges, industrial buildings and commercial buildings. The same classes of work report increases over a week ago. Subtotals for the week in each class of construction are: Waterworks, $198,000; sewerage, $2,112,000; bridges, $786,000; industrial buildings, $7,025,000; commercial building and large-scale private housing, $2,182,000; public buildings, $1,222,000; earthwork and drainage, $365,000; streets and roads, $131,000, and unclassified construction, $2,280,000.

New capital for construction purposes for the week totals $5,779,000. It is made up of $1,854,000 in State and municipal bond sales, and $3,925,000 in corporate security issues. The week's new financing brings 1945 volume to $196,472,000, a volume 24% above the $158,801,000 reported for the eight-week 1944 period.

National Fertilizer Association Commodity Price Index Again Declines Slightly

The weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on Feb. 26, declined for the second consecutive week to 139.8 in the week ending Feb. 24, 1945, from 140.0 in the preceding week. A month ago the index stood at 140.1, the highest point of the index, and a year ago at 137.0, based on the 1935-39 average as 100. The Association's report went on to say:

Two of the composite groups of the index declined during the week and one advanced. The foods index registered a further decline, taking the index 1.8% lower than it was six weeks ago when it started its downward trend. The lower prices for oranges and bread were responsible for this week's decline. The metals index declined 1.6% due to a drop in the prices for finished goods. Higher quotations were shown for pig iron, but they were not enough to offset the decline in finished steel. Farm products prices were generally higher with the three subgroups all advancing. Cotton prices rose only slightly. The grains index was up because of higher quotations for wheat at Minneapolis and for rye. Cattle and lamb prices advanced, taking the livestock index up almost to its level of two weeks ago. Timothy hay prices were also higher. The rise in raw cotton prices were not enough to affect the textiles index. All other groups in the index remained unchanged.

During the week 3 price series in the index declined and 8 advanced; in the preceding week there were 4 declines and 5 advancs; in the second preceding week there were 4 declines and 7 advances.

WEEKLY WHOLESALE COMMODITY PRICE INDEX

Compiled by The National Fertilizer Association

1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Feb. 24, 1945	Preceding Week Feb. 17, 1945	Month Ago Jan. 27, 1945	Year Ago Feb. 26, 1944
25.3	Food	141.7	142.7	143.4	138.4
	Fats and Oils	145.3	145.3	144.9	146.1
	Cottonseed Oil	163.1	163.1	161.8	159.6
23.0	Farm Products	165.6	164.6	164.9	157.0
	Cotton	206.3	205.8	203.5	199.0
	Grains	163.7	162.9	161.2	164.8
	Livestock	159.8	158.8	160.2	147.7
17.3	Fuels	130.4	130.4	130.4	130.1
10.8	Miscellaneous Commodities	133.4	133.4	133.4	131.4
8.2	Textiles	155.9	155.9	155.5	151.8
7.1	Metals	104.7	106.4	106.4	104.4
6.1	Building Materials	154.1	154.1	154.1	152.4
1.3	Chemicals and Drugs	125.4	125.4	125.4	127.7
.3	Fertilizer Materials	118.3	118.3	118.3	117.7
.3	Fertilizers	119.9	119.9	119.9	119.7
.3	Farm Machinery	104.8	104.8	104.8	104.2
100.0	All groups combined	139.8	140.0	140.1	137.0

*Indexes on 1926-1928 base were: Feb. 24, 1945, 108.9; Feb. 17, 109.1, and Feb. 26, 1944, 106.7.

Non-Ferrous Metals — Allocation of Zinc— To Revise Lead Order–Copper Demand Heavy

"E. & M. J. Metal and Mineral Markets," in its issue of Feb. 22, states: "Zinc will be placed under strict WPB control in an allocation procedure much the same as that abandoned on Sept. 15, 1944. The control is expected to become effective about April 1. Copper demand still is heavy and is expected to increase. Lead is still flowing too freely to consumers, and the stockpile will be reduced somewhat in February. Revision of the conservation order to curtail consumption still further is believed to be under consideration. Offerings of foreign metal held the quicksilver market to last week's position." The publication further went on to say in part as follows:

Lead

Demand for lead continues good, and all available metal is being taken. The lead conservation order has not thus far had the desired effect, partly because military needs (largely storage batteries) rise as civilian supplies are cut off. The government stockpile of lead will, perforce, be reduced substantially in February, though not as much as in the past two months. A further revision of the lead conservation order is believed to be in preparation, and it is expected that this time such revision will be toward tightening lead supply, rather than relaxing it as has been the case in recent revisions. The need for such tightening is pointed up by the fact that the stockpile was reduced in January to 75,000 tons, which the military had regarded as the "irreducible minimum."

Sales of lead last week amounted to 8,727 tons, against 6,712 tons in the preceding week.

Copper

Demand for copper continues heavy and is expected to increase still further. Shipments this month and next could easily set new records if it were not for the transportation and manpower difficulties that held down deliveries in January. In releasing the report of the requirements-supply position this week, Michael Schwarz, director of the WPB copper division, said that instead of a surplus of 87,000 tons of refined copper, which had been expected this year, a deficit of at least 4,000 tons would be faced.

Zinc

The impending allocation of zinc has caused no apparent surge in demand for the metal, although a few consumers may seek to lay in a relatively small quantity as insurance against any delay in allocation procedures. The pressure responsible for allocation is all on Special High Grade and Prime Western zinc. It has been pointed out that the excess demand for Special High Grade is largely unnecessary, inasmuch as brass producers could substitute the plentiful High Grade metal to a much greater extent than they are doing at present.

Increased urgency is given current attempts to increase zinc production because cadmium output is so closely tied up with it. Cadmium is in an extremely tight position at present because of large, and secret, military demands.

Tin

The WPB on Feb. 15, 1945, amended Conservation Order M-325 in order to make it compulsory for refuse collectors to pick up segregated and prepared tin cans and turn them over to salvage agencies. This step was taken in an effort to stimulate lagging reclamation of such tin, but no accompanying measures were taken to increase the quantity of prepared tin cans available to collectors.

It was reported that the new contract between the Bolivian tin miners and the Foreign Economic Administration was ready for signature after having been approved by both parties. It calls for a price of 63½c per pound of tin contained, plus a bonus of 1½c.

Production of tin-plate in 1944 totaled 2,641,832 tons, of which 1,992,276 tons was hot-dipped and 649,556 tons was electrolytic. Production in 1943 was 2,159,961 tons and in 1942 it was 2,727,079 tons.

Straits quality tin continues at 52c per pound, with shipment prices nominally as follows:

	Feb.	March	April
February 15	52.000	52.000	52.000
February 16	52.000	52.000	52.000
February 17	52.000	52.000	52.000
February 19	52.000	52.000	52.000
February 20	52.000	52.000	52.000
February 21	52.000	52,000	52.000

Chinese, or 99% tin, continued at 51.125c per pound.

Quicksilver

For the first time in many weeks there was no change to report in the price of quicksilver. Little spot metal was available, and the market was quiet in the main, with no great buying or selling interest in evidence. Some weakness was apparent in future metal. WPB authorization would was recorded at prices ranging from $165 to $170 as during last week.

With regard to offerings of foreign mercury, there has been no indication that any government agency will do anything to hinder or to help the shipment of such metal. WPB authorization would be necessary before the FEA, for example, took any action in regard to Spanish mercury, and it is likely that the inclination in government circles would be to get all possible mercury into the country in the interest of the war effort.

Indeed, some members of the trade believe that demand for mercury will not reach its peak for some time.

Transvaal quicksilver is being offered in domestic markets at $154, subject to later delivery, and it is further reported that two sailings per month are available for shipping the metal to this country.

Silver

The London market last week was unchanged at 25½d. The New York Official for foreign silver was unchanged at 44¾c, with domestic at 70⅝c.

Cotton Spinning for January

The Bureau of the Census announced on Feb. 20 that, according to preliminary figures, 23,101,850 cotton spinning spindles were in place in the United States on Jan. 31, 1945, of which 22,260,628 were operated at some time during the month, compared with 22,219,768 for December, 22,257,040 for November, 22,228,138 for October, 22,279,574 for September and 22,216,202 for January, 1944. The aggregate number of active spindle-hours reported for the month was 9,955,968,062, an average of 431 per spindle in place, compared with 8,763,356,074, an average of 379 per spindle in place, for last month, and 9,719,459,079, an average of 417 per spindle in place for January, 1944. Based on an activity of 80 hours per week, cotton spindles in the United States were operating during January, 1945, at 119.7% capacity. This percentage compares, on the same basis, with 118.5 for December, 120.6 for November, 117.4 for October, 122.3 for September and 124.0 for January, 1944.

Daily Average Crude Oil Production for Week Ended Feb. 17, 1945 Increased 40,550 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Feb. 17, 1945, was 4,780,670 barrels, an increase of 40,550 barrels over the preceding week and a gain of 396,170 barrels over the corresponding week of last year. The current figure also exceeded by 23,870 barrels the daily average figure recommended by the Petroleum Administration for War for the month of February, 1945. Daily production for the four weeks ended Feb. 17, 1945, averaged 4,742,850 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,787,000 barrels of crude oil daily and produced 14,910,000 barrels of gasoline; 1,503,000 barrels of kerosene; 5,053,000 barrels of distillate fuel, and 9,234,000 barrels of residual fuel oil during the week ended Feb. 17, 1945; and had in storage at the end of that week 49,265,000 barrels of civilian grade gasoline; 45,415,000 barrels of military and other gasoline; 7,762,000 barrels of kerosene; 29,864,000 barrels of distillate fuel, and 48,240,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations February	*State Allowables Begin. Feb. 1	Actual Production Week Ended Feb. 17, 1945	Change from Previous Week	4 Weeks Ended Feb. 17, 1945	Week Ended Feb. 19, 1944
Oklahoma	360,000	360,500	†366,300	+ 2,750	363,900	325,400
Kansas	274,000	269,400	†271,350	+ 18,550	262,200	268,050
Nebraska	1,000	----	†900	— 50	950	1,100
Panhandle Texas			88,000	----	88,350	102,000
North Texas			148,800	----	145,950	139,950
West Texas			464,300	----	471,450	362,000
East Central Texas			144,200	----	144,150	110,250
East Texas			392,000	----	392,600	390,600
Southwest Texas			347,000	----	344,650	288,250
Coastal Texas			562,100	----	557,350	516,600
Total Texas	2,140,000	‡2,143,749	2,146,400	----	2,144,500	1,909,650
North Louisiana			68,750	+ 500	68,300	77,200
Coastal Louisiana			294,800	----	292,000	283,100
Total Louisiana	360,000	396,800	363,550	+ 500	360,300	360,300
Arkansas	80,000	80,317	82,200	+ 600	81,650	78,750
Mississippi	53,000		51,500	+ 4,700	48,850	42,600
Alabama	300		250	----	250	----
Florida	----		20	----	50	----
Illinois	198,000		204,500	— 1,250	201,450	211,100
Indiana	12,000		12,500	— 550	12,850	12,450
Eastern— (Not incl. Ill., Ind., Ky.)	68,200		62,050	+ 2,800	59,250	68,700
Kentucky	32,000		31,100	+ 800	30,250	20,100
Michigan	47,000		51,100	+ 5,850	47,450	53,500
Wyoming	100,000		100,950	+ 1,400	98,350	95,400
Montana	23,000		19,700	+ 50	19,850	20,950
Colorado	9,500		10,050	+ 500	9,750	6,900
New Mexico	105,000	105,000	103,950	----	103,550	112,850
Total East of Calif.	3,863,000		3,878,370	+ 36,650	3,845,400	3,587,800
California	893,800	§893,800	902,300	+ 3,900	897,450	796,700
Total United States	4,756,800		4,780,670	+ 40,550	4,742,850	4,384,500

*P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Feb. 15, 1945.

‡This is the net basic allowable as of Feb. 1 calculated on a 28-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 2 to 14 days, the entire state was ordered shut down for 6 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 6 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

Note—Production for the week ended Feb. 10, 1945, was revised as follows: Total Texas, 2,146,400 barrels; Coastal Louisiana, 294,800 barrels; total Louisana, 363,050 barrels; Florida, 20 barrels; New Mexico, 103,950 barrels; total East of California, 3,841,720 barrels, and total United States, 4,740,120 barrels.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED FEB. 17, 1945

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	% Daily Refining Capacity Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Ref. Inc. Nat. Blended	‡Stocks of Gas Oil & Dist. Fuel Oil	‡Stocks of Residual Fuel oil	Gasoline Stocks Military and Other	Gasoline Stocks Civilian Grade
East Coast	100.0	722	99.0	1,903	5,473	4,903	7,033	6,246
Appalachian—								
District No. 1	83.9	97	74.6	295	298	254	1,303	1,403
District No. 2	87.2	60	127.7	204	195	217	605	992
Ind., Ill., Ky.	85.2	801	97.2	2,906	4,069	2,425	6,624	15,867
Okla., Kans., Mo.	80.2	392	93.8	1,429	1,811	1,159	2,088	6,976
Inland Texas	66.9	246	88.5	1,007	336	657	1,127	1,901
Texas Gulf Coast	90.5	1,177	101.0	3,606	6,141	8,198	10,345	5,469
Louisiana Gulf Coast	95.5	251	103.7	753	1,662	1,460	2,825	2,227
No. La. & Arkansas	68.0	84	80.8	226	717	263	927	1,988
Rocky Mountain—								
District No. 3	17.0	11	84.6	37	15	28	15	70
District No. 4	69.5	103	72.0	364	329	626	523	1,521
California	89.9	843	103.2	2,180	8,818	28,050	12,000	4,605
Total U. S. B. of M. basis Feb. 17, 1945	87.5	4,787	97.5	14,910	29,864	48,240	*45,415	49,265
Total U. S. B. of M. basis Feb. 10, 1945	87.5	4,770	97.1	14,996	30,544	48,845	44,573	47,882
U. S. Bur. of Mines basis Feb. 19, 1944		4,441		13,429	33,914	52,694	36,037	47,265

*Includes aviation, military, solvents and naphthas and gasoline blending stocks currently indeterminate as to ultimate use, and 12,104,000 barrels of unfinished gasoline this week, compared with 11,317,000 barrels a year ago. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,503,000 barrels of kerosine, 5,053,000 barrels of gas oil and distillate fuel oil and 9,234,000 barrels of residual fuel oil produced during the week ended Feb. 17, 1945, which compares with 1,563,000 barrels, 4,565,000 barrels and 9,237,000 barrels, respectively, in the preceding week and 1,524,000 barrels, 4,483,000 barrels and 8,789,000 barrels, respectively, in the week ended Feb. 19, 1944.

Note—Stocks of kerosine at Feb. 17, 1945 amounted to 7,762,000 barrels, as against 7,896,000 barrels a week earlier and 7,382,000 barrels a year before.

Trading on New York Exchanges

The Securities and Exchange Commission made public on Feb. 21 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Feb. 3, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Feb. 3 (in round-lot transactions) totaled 2,746,100 shares, which amount was 14.65% of the total transactions on the Exchange of 9,372,790 shares. This compares with member trading during the week ended Jan. 27 of 2,102,428 shares, or 15.12% of the total trading of 7,331,930 shares. On the New York Curb Exchange, member trading during the week ended Feb. 3 amounted to 808,280 shares, or 12.98% of the total volume on that exchange of 3,113,030 shares. During the Jan 27 week trading for the account of Curb members of 615,980 shares was 14.70% of total trading of 2,094,510 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED FEB. 3, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	251,460	
‡Other sales	9,121,330	
Total sales	9,372,790	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	682,850	
Short sales	99,280	
‡Other sales	562,820	
Total sales	662,100	7.17
2. Other transactions initiated on the floor—		
Total purchases	426,430	
Short sales	26,240	
‡Other sales	339,340	
Total sales	365,580	4.23
3. Other transactions initiated off the floor—		
Total purchases	302,300	
Short sales	60,760	
‡Other sales	246,080	
Total sales	306,840	3.25
4. Total—		
Total purchases	1,411,580	
Short sales	186,280	
‡Other sales	1,148,240	
Total sales	1,334,520	14.65

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED FEB. 3, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	36,740	
‡Other sales	3,076,290	
Total sales	3,113,030	
B. Round-Lot Transaction for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	217,515	
Short sales	15,690	
‡Other sales	200,875	
Total sales	216,565	6.97
2. Other transactions initiated on the floor—		
Total purchases	91,575	
Short sales	7,600	
‡Other sales	73,625	
Total sales	81,225	2.78
3. Other transactions initiated off the floor—		
Total purchases	91,125	
Short sales	3,400	
‡Other sales	106,875	
Total sales	110,275	3.23
4. Total—		
Total purchases	400,215	
Short sales	26,690	
‡Other sales	381,375	
Total sales	408,065	12.98
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	91,190	
Total purchases	91,190	
Total sales	74,385	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Commercial Paper Outstanding

Reports received by the Federal Reserve Bank of New York from commercial paper dealers show a total of $162,400,000 of open market paper outstanding on Jan. 31, 1945, compared with $166,000,000 on Dec. 30, 1944, and $208,900,000 on Jan. 31, 1944, the bank announced on Feb. 15.

Following are the totals for the last two years:

	$		$
1945—		1944—	
Jan 31	162,400,000	Jan 31	208,900,000
1944—		1943—	
Dec 30	166,000,000	Dec 31	202,000,000
Nov 30	166,900,000	Nov 30	203,300,000
Oct 31	141,700,000	Oct 30	187,800,000
Sep 29	140,800,000	Sep 30	169,500,000
Aug 31	140,900,000	Aug 31	156,200,000
July 31	142,900,000	July 31	149,800,000
Jun 30	136,500,000	Jun 30	143,300,000
May 31	150,700,000	May 29	159,600,000
Apr 29	171,500,000	Apr 30	178,900,000
Mar 31	194,800,000	Mar 31	200,600,000
Feb 29	213,700,000	Feb 27	209,100,000

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Feb. 21 a summary for the week ended Feb. 10 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Feb. 10, 1945

	Total for Week
Odd-Lot Sales by Dealers (Customers' purchases)	
Number of orders	29,599
Number of shares	869,027
Dollar value	$32,814,459
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	229
*Customers' other sales	28,449
Customers' total sales	28,678
Number of Shares:	
Customers' short sales	8,053
*Customers' other sales	794,664
Customers' total sales	802,717
Dollar value	$27,418,226
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	30
†Other sales	190,050
Total sales	190,080
Round-Lot Purchases by Dealers:	
Number of shares	248,650

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Lumber Movement—Week Ended Feb. 17, 1945

According to the National Lumber Manufacturers Association, lumber shipments of 475 mills reporting to the National Lumber Trade Barometer were 2.5% above production for the week Feb. 17, 1945. In the same week new orders of these mills were 17.7% more than production. Unfilled order files of the reporting mills amounted to 98% of stocks. For reporting softwood mills, unfilled orders are equivalent to 38 days' production at the current rate, and gross stocks are equivalent to 36 days' production.

For the year to date, shipments of reporting identical mills exceeded production by 6.0%; orders by 17.4%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 43.5% greater; shipments were 26.9% greater, and orders were 46.4% greater.

More Freight Cars Placed In Service and On Order

The Class I railroads on Feb. 1, 1945, had 36,734 new freight cars on order, the Association of American Railroads announced on Feb. 22. This included 7,086 hopper, 5,763 gondolas, 850 flat, 18,997 plain box, 1,771 automobile, 2,158 refrigerator and 109 stock freight cars. On Jan. 1, last, the roads had 36,597 cars on order and on Feb. 1, 1944, the total was 33,411.

They put 4,468 freight cars in service in January, 1945, compared with 2,856 in the same month last year. Those installed in the first month of the current year included 1,829 hopper, 411 gondola, five flat, 130 stock, 25 refrigerator, 105 automobile box, 1,963 plain box freight cars.

The Class I railroads also had 451 locomotives on order on Feb. 1, 1945, which included 80 steam, two electric and 369 Diesel locomotives. Total on Feb. 1, 1944, was 863, which included 303 steam, two electric and 558 Diesel.

They also put 34 new locomotives in service in January, of which three were steam and 31 were Diesel. New locomotives installed in January, 1944, totaled 92, of which there were 36 steam, one electric and 55 Diesel.

Revenue Freight Car Loadings During Week Ended Feb. 17, 1945 Increased 28,302 Cars

Loading of revenue freight for the week ended Feb. 17, 1945, totaled 783,738 cars, the Association of American Railroads announced Feb. 23. This was an increase above the corresponding week of 1944 of 9,501 cars, or 1.2%, and an increase above the same week in 1943 of 31,719 cars or 4.2%.

Loading of revenue freight for the week of Feb. 17, increased 28,302 cars, or 3.7% above the preceding week.

Miscellaneous freight loading totaled 389,983 cars, an increase of 26,638 cars above the preceding week, and an increase of 29,582 cars above the corresponding week in 1944.

Loading of merchandise less than carload lot freight totaled 103,047 cars, an increase of 6,284 cars above the preceding week, and an increase of 2,371 cars above the corresponding week in 1944.

Coal loading amounted to 166,607 cars, a decrease of 9,406 cars below the preceding week, and a decrease of 11,757 cars below the corresponding week in 1944.

Grain and grain products loading totaled 43,036 cars, an increase of 1,689 cars above the preceding week, but a decrease of 7,701 cars below the corresponding week in 1944. In the Western Districts alone, grain and grain products loading for the week of Feb. 17, totaled 27,201 cars, a decrease of 514 cars below the preceding week and a decrease of 8,281 cars below the corresponding week of 1944.

Livestock loading amounted to 13,963 cars an increase of 392 cars above the preceding week but a decrease of 1,198 cars below the corresponding week in 1944. In the Western Districts alone loading of live stock for the week of Feb. 17, totaled 10,172 cars, an increase of 333 cars above the preceding week, but a decrease of 946 cars below the corresponding week in 1944.

Forest products loading totaled 39,815 cars, an increase of 913 cars above the preceding week, but a decrease of 711 cars below the corresponding week in 1944.

Ore loading amounted to 12,538 cars, an increase of 1,781 cars above the preceding week but a decrease of 589 cars below the corresponding week in 1944.

Coke loading amounted to 14,749 cars, an increase of 11 cars above the preceding week, but a decrease of 496 cars below the corresponding week in 1944.

All districts reported decreases compared with the corresponding week in 1944 except the Southern, Centralwestern and Southwestern. All districts reported increases compared with 1943 except the Pocahontas, Northwestern and Southwestern.

	1945	1944	1943
4 Weeks of January	3,001,544	3,158,700	2,910,638
Week of February 3	738,680	805,714	755,514
Week of February 10	755,436	793,181	765,271
Week of February 17	783,738	774,237	752,019
Total	5,279,398	5,531,832	5,183,442

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Feb. 17, 1945. During this period 73 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS) WEEK ENDED FEB. 17

Railroads	Total Revenue Freight Loaded 1945	1944	1943	Total Loads Received from Connections 1945	1944
Eastern District—					
Ann Arbor	321	284	258	1,818	1,641
Bangor & Aroostook	2,459	2,156	2,336	489	334
Boston & Maine	6,390	6,428	5,178	16,293	14,534
Chicago, Indianapolis & Louisville	1,334	1,268	1,297	2,408	2,023
Central Indiana	28	38	45	39	38
Central Vermont	1,051	960	796	3,233	2,113
Delaware & Hudson	4,719	4,864	5,749	14,307	13,508
Delaware, Lackawanna & Western	7,604	7,496	6,790	10,367	10,882
Detroit & Mackinac	175	204	202	138	100
Detroit, Toledo & Ironton	1,699	2,016	1,911	2,289	1,897
Detroit & Toledo Shore Line	430	297	269	3,949	3,647
Erie	12,067	12,363	11,276	17,943	20,287
Grand Trunk Western	4,123	3,621	3,554	10,338	9,336
Lehigh & Hudson River	152	149	150	3,990	3,734
Lehigh & New England	1,813	2,034	1,602	1,324	1,500
Lehigh Valley	7,428	8,850	7,065	13,133	15,313
Maine Central	2,540	2,370	2,291	4,472	4,152
Monongahela	5,289	6,079	6,274	312	351
Montour	2,428	2,622	2,521	12	32
New York Central Lines	46,720	45,360	42,555	53,044	55,817
N. Y., N. H. & Hartford	9,510	9,982	8,257	18,981	19,663
New York, Ontario & Western	770	1,353	789	2,365	2,957
New York, Chicago & St. Louis	6,540	6,289	6,757	17,488	17,115
N. Y., Susquehanna & Western	494	403	451	2,691	3,000
Pittsburgh & Lake Erie	7,507	7,864	7,284	7,091	7,752
Pere Marquette	5,047	4,688	4,479	8,690	8,880
Pittsburg & Shawmut	812	859	633	11	13
Pittsburg, Shawmut & North	277	301	320	310	251
Pittsburgh & West Virginia	779	1,110	856	3,503	2,715
Rutland	319	373	288	1,133	954
Wabash	6,000	5,979	5,775	14,143	12,403
Wheeling & Lake Erie	5,706	5,028	4,646	5,519	4,595
Total	152,531	153,688	142,654	241,823	241,537
Allegheny District—					
Akron, Canton & Youngstown	841	776	665	1,636	1,439
Baltimore & Ohio	38,654	41,140	36,381	32,621	28,140
Bessemer & Lake Erie	2,951	2,702	2,248	1,812	1,491
Buffalo Creek & Gauley	†	†	226	†	†
Cambria & Indiana	1,561	1,852	1,905	22	4
Central R. R. of New Jersey	6,577	7,064	5,901	22,626	20,828
Cornwall	481	587	364	59	60
Cumberland & Pennsylvania	199	202	228	5	8
Ligonier Valley	122	140	110	52	60
Long Island	1,330	1,297	860	3,626	4,043
Penn-Reading Seashore Lines	1,829	1,576	1,495	2,420	2,791
Pennsylvania System	77,569	77,356	69,740	67,721	67,347
Reading Co.	14,884	14,599	12,737	31,736	29,612
Union (Pittsburgh)	19,005	20,575	19,971	4,500	4,145
Western Maryland	3,938	3,916	3,751	16,520	14,459
Total	169,961	173,782	156,582	185,356	174,427
Pocahontas District—					
Chesapeake & Ohio	28,014	27,929	28,182	13,557	11,617
Norfolk & Western	20,951	21,238	22,000	10,972	7,740
Virginian	4,356	4,507	4,477	2,610	1,539
Total	53,321	53,674	54,659	27,139	20,896
Southern District—					
Alabama, Tennessee & Northern	395	289	299	340	362
Atl. & W. P.—W. R. R. of Ala	862	726	765	2,787	2,330
Atlanta, Birmingham & Coast	956	670	637	1,603	1,629
Atlantic Coast Line	14,380	13,140	14,694	14,871	11,405
Central of Georgia	4,032	3,578	4,196	6,158	5,176
Charleston & Western Carolina	453	311	468	1,881	1,884
Clinchfield	1,704	1,495	1,740	3,420	3,327
Columbus & Greenville	285	288	386	345	246
Durham & Southern	141	96	100	963	931
Florida East Coast	3,470	3,382	2,969	1,509	1,992
Gainesville Midland	53	28	40	120	122
Georgia	1,274	984	1,408	2,618	2,708
Georgia & Florida	446	355	377	860	820
Gulf, Mobile & Ohio	4,445	4,029	3,860	4,143	4,466
Illinois Central System	27,620	27,444	27,770	17,357	17,834
Louisville & Nashville	27,204	23,527	24,960	12,396	12,244
Macon, Dublin & Savannah	234	207	180	965	929
Mississippi Central	366	278	218	492	708
Nashville, Chattanooga & St. L.	3,315	3,002	3,180	5,155	4,923
Norfolk Southern	994	863	1,102	1,778	1,611
Piedmont Northern	392	384	357	1,508	1,568
Richmond, Fred. & Potomac	551	377	314	11,459	11,226
Seaboard Air Line	10,815	10,121	10,228	9,490	8,867
Southern System	24,619	21,267	21,731	28,563	25,713
Tennessee Central	707	603	457	834	1,219
Winston-Salem Southbound	122	128	106	1,467	1,151
Total	129,835	117,572	122,542	131,082	125,391
Northwestern District—					
Chicago & North Western	14,678	15,045	15,076	13,954	14,478
Chicago Great Western	2,439	2,850	2,526	3,733	3,607
Chicago, Milw., St. P. & Pac.	21,000	20,595	22,418	11,139	10,870
Chicago, St. Paul, Minn. & Omaha	3,242	3,982	3,616	3,955	3,958
Duluth, Missabe & Iron Range	1,354	1,442	1,326	288	206
Duluth, South Shore & Atlantic	649	897	475	670	593
Elgin, Joliet & Eastern	8,804	8,356	9,157	12,736	12,632
Ft. Dodge, Des Moines & South	337	456	435	79	99
Great Northern	9,979	12,219	10,618	5,981	5,326
Green Bay & Western	468	496	473	1,203	949
Lake Superior & Ishpeming	262	323	253	85	56
Minneapolis & St. Louis	2,022	2,121	2,149	2,680	2,365
Minn., St. Paul & S. S. M.	4,243	5,102	4,652	3,546	3,776
Northern Pacific	9,009	10,310	8,479	6,602	5,444
Spokane International	254	110	72	603	640
Spokane, Portland & Seattle	2,483	2,383	1,756	3,663	3,003
Total	81,223	86,687	83,481	70,917	68,002
Central Western District—					
Atch., Top. & Santa Fe System	23,955	21,693	21,659	14,122	12,955
Alton	3,428	3,096	2,833	4,292	4,02
Bingham & Garfield	409	509	484	58	78
Chicago, Burlington & Quincy	19,805	19,791	18,529	12,147	10,831
Chicago & Illinois Midland	3,126	3,113	3,173	961	736
Chicago, Rock Island & Pacific	12,206	11,501	12,508	13,405	12,993
Chicago & Eastern Illinois	2,694	2,750	2,466	4,146	5,990
Colorado & Southern	745	727	826	2,104	2,287
Denver & Rio Grande Western	3,905	3,340	4,319	6,109	5,595
Denver & Salt Lake	590	935	891	14	12
Fort Worth & Denver City	988	824	1,129	1,429	1,411
Illinois Terminal	*2,269	1,890	1,583	*2,126	1,790
Missouri-Illinois	979	950	809	586	501
Nevada Northern	1,435	1,561	1,806	123	112
North Western Pacific	700	685	1,023	1,151	937
Peoria & Pekin Union	2	57	27	0	0
Southern Pacific (Pacific)	27,408	29,100	27,454	15,825	14,524
Toledo, Peoria & Western	336	389	259	2,415	1,852
Union Pacific System	17,489	15,187	13,750	16,164	15,630
Utah	581	618	609	4	7
Western Pacific	1,938	1,556	2,070	4,409	2,862
Total	124,988	120,272	118,207	101,590	95,126
Southwestern District—					
Burlington-Rock Island	415	288	687	340	382
Gulf Coast Lines	6,199	7,007	6,518	2,315	2,345
International-Great Northern	2,397	1,856	2,871	3,615	3,945
Kansas, Oklahoma & Gulf	232	250	297	1,049	1,023
Kansas City Southern	4,568	5,712	5,450	2,830	2,778
Louisiana & Arkansas	3,542	2,954	3,510	2,880	2,553
Litchfield & Madison	338	355	309	1,279	1,280
Midland Valley	609	713	618	404	425
Missouri & Arkansas	142	170	171	482	453
Missouri-Kansas-Texas Lines	7,166	5,052	6,027	4,991	4,641
Missouri Pacific	17,278	15,619	16,967	18,196	19.580
Quanah Acme & Pacific	83	120	108	433	264
St. Louis-San Francisco	9,285	8,044	9,568	8,742	9,437
St. Louis Southwestern	3,524	2,928	3,069	7,147	5,629
Texas & New Orleans	*10,549	12,846	13,054	*5,492	5,056
Texas & Pacific	5,445	4,545	4,549	8,420	7,999
Wichita Falls & Southern	82	68	104	30	49
Weatherford M. W. & N. W.	25	35	17	48	54
Total	71,879	68,562	73,894	68,693	67,893

*Previous week's figure. †Included in Baltimore & Ohio RR.

Note—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give nerewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1944—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Cumulative
November 4	207,817	157,644	535,745	96	94
November 11	141,154	158,266	515,738	96	94
November 18	135,644	156,667	494,062	96	94
November 25	110,144	149,062	450,898	91	94
December 2	189,731	154,682	484,811	94	94
December 9	173,669	154,822	501,946	95	94
December 16	137,936	152,695	480,929	94	94
December 23	126,115	149,031	451,891	94	94
December 30	109,895	88,105	471,289	57	93
Period 1945—Week Ended					
January 6	189,769	125,882	532,194	80	80
January 13	149,921	150,011	524,308	95	87
January 20	131,901	150,876	503,240	94	89
January 27	159,885	152,075	510,931	95	91
February 3	204,550	148,139	565,064	92	91
February 10	149,590	151,307	560,960	93	92
February 17	145,541	149,816	553,609	93	92

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

New Air Agreement Between U. S. & Canada

Under a new agreement announced at Washington on Feb. 19, air services connecting the United States and Canada will, it is stated, be greatly increased, but operations generally will be limited to a single carrier on each route. Associated Press advices reporting this stated that the one exception to the one-carrier limitation, which is in line with Canada's "chosen instrument" policy, is the Buffalo-Toronto route, where the United States may authorize two air lines to fly.

The further Associated Press accounts from Washington Feb. 19 said:

> At the same time, the two countries disclosed an agreement whereby American military transport service will not carry paying traffic destined to Canada or originating in the Dominion, but may continue to carry such passengers across Canadian territory.
>
> This agreement was directed at the decision of the United States to carry non-military personnel traveling on war-associated business on Army and Navy planes at fares approximating those charged by civil air lines.
>
> The new routes which may be awarded to American carriers are New York or Boston to Quebec, New York to Ottawa, and Washington to Montreal and Ottawa (although both cities may not be served on the same flight). At present, the United States is flying from Boston to Montreal and Moncton, New York to Montreal, Buffalo to Winnipeg, Great Falls, Mont., to Lethbridge. Seattle to Vancouver, and Fairbanks to Whitehorse.
>
> The new routes for the Canadian line are Halifax to Boston, Toronto to Cleveland, Toronto to Chicago, Port Arthur to Duluth, Victoria to Seattle, and Whitehorse to Fairbanks.
>
> The over-all effect of the agreement is to give direct air service with Canada for the first time to Washington, Chicago, Cleveland and Duluth. In Canada, it will give direct air connection with the United States for the first time to Ottawa, Halifax, Victoria, Quebec and Port Arthur.
>
> The start of the stepped-up services rests with each country. In the United States, the Civil Aeronautics Board must choose from among a number of applicants for such routes. Canada's start probably will be determined by availablility of equipment and ground services.
>
> The new agreement, replacing one written in 1939, retains a provision whereby Canada may stop in Detroit on any of its services authorized into Windsor, and the United States may stop in Windsor on any service authorized into Detroit.

Restricted Mail to Belgium

Postmaster Albert Goldman announced on Feb. 21 that information had been received from the Post Office Department, Washington, D. C., that effective Feb. 25, the limited mail service now available to Belgium will be extended so as to permit the sending of letters and packages, prepaid at the letter rate of five cents for the first ounce and three cents for each additional ounce up to a weight limit of 4 pounds 6 ounces. The advices also state:

> The present weight limit is one ounce.
>
> Registry and special delivery service also will be resumed Feb. 25. The letters and letter packages may contain merchandise which will be subject to the export regulations of the Foreign Economic Administration which has extended General License, entitled "G-Post," to include Belgium.

Items About Banks, Trust Companies

Manufacturers Trust Co. of New York on Feb. 21 drew by lot 14,881 shares of convertible preferred stock for redemption on March 28, 1945, at $50 per share, plus the accumulated dividend of 40 cents per share, from Jan. 16 to date of redemption. Notice of the redemption has been mailed to those whose shares have been selected, and copies of the certificate numbers for the shares drawn are available at the office of the company.

Henry J. Cochran, President of The Franklin Savings Bank of New York has announced the election of Lewis P. Carmer to the bank's board of trustees at the recent meeting of the board. Mr. Carmer is Vice-President of The Bank of New York.

George J. Uhl, formerly Auditor, has been appointed Assistant Secretary, and Philip C. Schmierer, formerly Assistant Auditor, has been appointed Auditor of the Lawyers Trust Co. of New York.

William Cumming Murphy, Vice-President and Trust Officer of the Fifth Avenue Bank of New York, died at his home in this city on Feb. 21. He was 76 years old and had been with the bank for 55 years, said the New York "Herald Tribune," which reports that Mr. Murphy joined the Fifth Avenue Bank as a clerk on June 3, 1889, and was appointed Assistant Cashier on Dec. 7, 1905. In charge of the trust department since the bank obtained powers of trust in 1919, he was elected Vice-President and Trust Officer in 1921 and a director of the bank in 1940.

Two promotions have been announced by the Albany Savings Bank of Albany, N. Y., after their approval on Feb. 20 at a meeting of the Board of Trustees. The Albany "Times-Union," indicating this, stated:

"Paul A. Toole, Auditor since 1937, has been promoted to Assistant Treasurer, a newly recreated position. The last Assistant Treasurer at the bank was the late E. J. Toole, Mr. Toole's uncle, who died in 1933. Mr. Toole came with the bank as messenger in 1923, rising successively from messenger, clerk, teller and bookkeeper to Auditor.

"Kenneth W. Messier, Assistant Auditor since 1942, has been promoted to Auditor, succeedng Mr. Toole."

J. Robert Murray was on Feb. 23 named Assistant Trust Officer of the Security Trust Co. of Schenectady, N. Y., President Bernard E. Finucane announced. The Rochester "Times-Union" states that Mr. Murray was for some years engaged in the accounting business and became associated with the Security Trust in 1935 as a trust department Auditor. In recent years he has specialized in estate administration.

George E. Volk, Vice-President of the Plainfield National Bank of Plainfield, N. J., since 1939, was elected President at a directors' meeting on Feb. 21, suceeding Lawrence B. Carey, who recently resigned to become New Jersey State Commissioner of Banks and Insurance. Special advices to the New York "Times" from Plainfield indicating this, added that Edson B. Day, formerly Assistant Cashier, and Cashier since Jan. 16, was made Vice-President.

The plan to increase the capital stock of the Bank of Nutley, Nutley, N. J., from 8,000 to 12,000 shares, which was approved by the stockholders in December, has recently been completed, it was announced by Albert E. Howe, President of the bank, on Feb. 15. The Newark "News," in reporting this, also stated that the capital of $633,850 is itemized as: common stock, $300,000; surplus, $200,000; undivided profits, $83,850, and reserve for contingencies, $50,000.

Charles W. Hummel, retired Trust Officer and Vice-President of Federal Trust Co. of Newark, N. J., died on Feb. 21. He was 75 years of age. According to the Newark "News," Mr. Hummel was Trust Officer of Fidelity Union Trust Co. before his affiliation with Federal Trust. He retired in February, 1943, but remained on the board of directors.

The Baltimore "Sun" announced on Feb. 17 that subscription rights having expired on Feb. 15, the First National Bank of Baltimore announced that the sale of 100,000 new shares of its $10 par stock has been completed. The "Sun" adds:

"Stockholders exercised the right to buy the additional stock at $30 a share in the ratio of one new share for each four held.

"This transaction has increased the bank's capital from $4,000,000 to $5,000,000 and its surplus from $6,000,000 to $8,000,000. The bank reported total deposits of $322,000,000 at the close of 1944."

The First Trust & Savings Bank of Canton, of Canton, Ohio, a State member bank of the Federal Reserve System, converted into a National bank under the title of The Canton National Bank, Feb. 1, the Board of Governors of the Reserve System announces.

The removal of the banking business of the Second Northwestern State Bank of Minneapolis to the quarters of the Third Northwestern National Bank, in that city, in connection with the organization of a new Twin City bank, was made known on Feb. 17 by Shirley S. Ford, President of the Northwestern National Bank, according to the Minneapolis "Journal," from which the following is also taken:

"Second Northwestern State Bank will become the Second Northwestern National Bank, and will be located at Bedford and University Avenues in Midway. The new bank will be open for business as soon as quarters can be completed.

"Safety deposit boxes of the Second Northwestern State will be transferred to the Central Northwestern National Bank at 2329 Central Avenue, and the Northeast State Bank Insurance agency will be transferred to Central National Agency, 2329 Central Avenue.

"Ray Mikolajczyk, Cashier of Second Northwestern State Bank, will become an officer of the Third Northwestern, and John S. Reshetar, Assistant Cashier of Second Northwestern, becomes an officer of Central Northwestern National, Mr. Ford said.

"Officers of the new bank will be Frank C. O'Brien, President; J. R. Wren, Vice-President and Cashier, and Harry J. Jensen, Assistant Cashier. Mr. O'Brien is a Vice-President of Northwestern National Bank. Mr. Wren is Assistant Manager of the Lincoln office of the Northwestern, and Mr. Jensen formerly was Cashier of Millers & Traders State Bank.

Donald C. Dayton has been appointed a member of the advisory board of the Lincoln office of Northwestern National Bank of Minneapolis, Shirley S. Ford, President, announced on Feb. 16, it is learned from the Minneapolis "Journal." Mr. Dayton, it is stated, is Secretary and Assistant General Manager of the Dayton Company.

Roz G. Morris has been advanced to the office of Executive Vice-President of the United Bank & Trust Co. of St. Louis, and has also been elected a member of the board of directors of the institution, it is announced by E. T. Murray, President. Mr. Murray had heretofore been Vice-President.

The Board of Governors of the Federal Reserve System report that, effective Feb. 1, the Houston Land & Trust Co., Houston, Tex., a State member, has changed its title to Houston Bank & Trust Co.

The Republic National Bank of Dallas (Tex.) on Feb. 14 celebrated its 25th anniversary. The Dallas "Times Herald" notes that the bank opened for business Feb. 14, 1920, as the Guaranty Bank & Trust Co. when its capital was $100,000. It is added that "it has grown from a small local bank to a nationally-known financial institution, with resources of $235,537,264 and capital and surplus of $15,000,000 today, and now ranks as the 76th largest bank in America."

"The bank became the Republic National Bank & Trust Co. in 1922, when it received its national charter," says the paper quoted, which further said:

"In 1924 it had acquired the Texas Farm Mortgage Co. from Wirt Davis and Leslie Waggener, naming the affiliated institution the Republic Trust & Savings Co. Mr. Davis is now Chairman of the board of directors of the Republic National Bank and Mr Waggener is Chairman of the executive committee. Karl Hoblitzelle is Vice-Chairman of the board, having recently been elected to that office."

As a feature of the observance of the celebration, the bank announced an exhibition of the historical "Moneys of the World" collection owned by the Chase National Bank of New York.

NYSE Short Interest For Feb. 15

The New York Stock Exchange announced on Feb. 21 that the short interest as of the close of business on the Feb. 15, 1945, settlement date, as compiled from information obtained by the New York Stock Exchange from its members and member firms was 1,580,647 shares, compared with 1,475,441 shares on Jan. 31, 1945, both totals excluding short positions carried in the odd-lot accounts of all odd-lot dealers. As of the Feb. 15, 1945, settlement date, the total short interest in all odd-lot dealers' accounts was 34,055 shares, compared with 39,426 shares on Jan. 31, 1945. The Exchange's report added:

"Of the 1,256 individual stock issues listed on the Exchange on Feb. 15, 1945, there were 69 issues in which a short interest of 5,000 or more shares existed, or in which a change in the short position of 2,000 or more shares occurred during the month."

We are advised by the Exchange that hereafter the short interest figures will be given monthly as of the 15th instead of at the end of the month, as heretofore.

In the following tabulation is shown the short interest existing at the close of the last business day for the last 12 months:

1944—	
Jan. 31	847,335
Feb. 28	960,617
Mar. 31	1,028,480
Apr. 29	1,090,581
May 31	1,181,293
June 30	1,287,970
July 31	1,327,641
Aug. 31	1,283,555
Sept. 29	1,275,709
Oct. 31	1,373,540
Nov. 30	1,436,271
Dec. 29	1,390,713
1945—	
Jan. 31	1,475,441
Feb. 15	1,580,647

Majority of Economists National Committee on Monetary Policy Favor Bretton Woods Rejection

Professor Spahr, Secretary of Committee, Says Each Member "Speaks for Himself" and That Most Were Not Among Those Who Received Questionnaire of Recently-Organized Committee on Bretton Woods.

A telegraphic inquiry on the Bretton Woods proposals sent to 69 out of 76 members of the Economists' National Committee on Monetary Policy—the 69 being the only ones who were in a position to receive the telegram—produced the following results:

Of the 61 replies, 9 approved the proposed International Monetary Fund without qualification; 8 approved provided there are modifications; 37 favored its rejection. In respect to the proposed International Bank for Reconstruction and Development, 13 approved without qualification; 37 approved provided there are modifications; 5 favored its rejection. Some votes could not be counted because of lack of clarity or failure to reply regarding certain items. Eight members of the Committee did not respond for reasons unknown.

According to Walter E. Spahr, Secretary of the Economists' National Committee on Monetary Policy, the organization, composed of monetary economists, was formed eleven years ago for the purpose of bringing to the attention of the public and Congress the opinions of the individual members on monetary questions for such value as these might have. Each member speaks only for himself. Therefore any announcement of the results of a poll of opinion of members of the Committee must recognize that a majority vote does not in any way bind or reflect the views of a minority.

Incidentally, these members were asked whether they had received the questionnaire sent out under the name of the recently-organized Economists Committee on Bretton Woods. Of those who replied to this question, 23 stated that they had received it, 30 that they had not, 4 were uncertain.

Other Economists Endorse Bretton Woods Pacts

That "more than 200 leading economists had joined in endorsing the international financial agreements" was disclosed on Feb. 18 by Senator Robert F. Wagner and Representative Brent Spence, Congressional sponsors of the Bretton Woods agreements bill, who, according to special advices to the New York "Times" on that date from Washington, made public a statement, to which 224 economists subscribed declaring that "it is very doubtful whether another agreement would be reached" if Congress insisted on reservations. The "Times" advices from which we quote also had the following to say:

And they also stated that a voluntary committee comprising 33 members of the American Economic Association had polled its former Presidents, and with "nearly all" replying, 16 of the 18 who responded approved and only two disapproved the Bretton Woods proposals.

Commenting on the results of this poll, Prof. Seymour E. Harris of Harvard, Chairman of the committee, was quoted as saying:

"This shows a remarkable degree of unanimity among economists. Economists of all kind—liberal and conservative, Democrats and Republicans, New Dealers and anti-New Dealers, young and old—seem to agree that revival of worl dtrade is imperative and that the Bretton Woods program is the road to take toward more trade and a higher standard of living."

Among those listed as supporting the Bretton Woods agreements were Prof. Oliver M. W. Sprague of the Harvard School of Business Administration, formerly an adviser to the Bank of England; Prof. Jacob Viner of the University of Chicago, an authority on international trade and finance; Prof. Winfield Riefler of Princeton University and Prof. J. B. Condliffe of the University of California.

The committee canvassed 250 economists, of whom the 240, or about 90%, endorsed the Bretton Woods proposals as a whole.

Their statement is in contrast to the stand of the American Bankers Association and other banking groups which favor the proposed Bank for Reconstruction and Development but would scrap the proposed International Monetary Fund in favor of a new department in the proposed bank to undertake limited activities in stabilizing international currencies.

In their statement the 224 economists said:

"If the present proposals are not ratified by the leading countries of the world the outlook for genuine international collaboration in the economic field and even for world peace would be indeed gloomy. It is therefore a matter of urgent necessity that full support be given to the agreements by all United Nations.

"Although the monetary fund and the International Bank do not provide a complete solution to the international economic problems, they will contribute substantially towards solving the exchange and investment problems, which are necessary if expanding international trade is to make its much-needed contribution to the prosperity of the United States and of the world.

"Conditions of foreign lending must be substantially improved if international investment is again to make its indispensable contribution to the prosperity of the world economy on which, to a large degree, our own welfare depends.

"The proposed Monetary Fund provides a program for avoiding competitive currency depreciation and related forms of economic warfare.

"The proposed Bank for Reconstruction and Development aims at increasing security of international lending, not only through the bank's guarantee, but also by making the Government of the borrowing country directly responsible to the bank.

"Under the Monetary Fund, barring outright repudiation of debts by some debtor Government the risk of financial loss is very small.

"The good-will acquired by accepting the agreement, supported by the influence which the United States can legitimately exert through its large voting power in the fund and the bank, will be of great advantage in the settlement of other international issues.

"Bretton Woods represents the first attempt of the United Nations to reach agreement on vital economic issues and, in view of the fact that over forty Governments are involved and in view of the complexity of the problem, the extensive concessions made by others to the United States at Bretton Woods, and the ill-will we would incur by insisting on reservations, it is very doubtful whether another agreement could be reached."